

KANNALAND

MUNICIPALITY



[These financial statements have not been audited]

FINANCIAL STATEMENTS

30 JUNE 2013

KANNALAND MUNICIPALITY

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KANNALAND MUNICIPALITY

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

GENERAL INFORMATION

NATURE OF BUSINESS

Kannaland Municipality is a local municipality performing the functions as set out in the Constitution. (Act no 105 of 1996)

COUNTRY OF ORIGIN AND LEGAL FORM

South African Category B Municipality (Local Municipality) as defined by the Municipal Structures Act. (Act no 117 of 1998)

CONSOLIDATED FINANCIAL STATEMENTS

The municipality is not required to prepare consolidated financial statements

JURISDICTION

The KANNALAND Municipality includes the following areas:

*Ladismith
Calitzdorp
Vanwyksdorp
Zoar*

MUNICIPAL MANAGER

Mr. MM Hoogbaard

CHIEF FINANCIAL OFFICER

Mr. NB Delo

REGISTERED OFFICE

Church Street
Ladismith
6655

AUDITORS

Office of the Auditor General (WC)

PRINCIPLE BANKERS

ABSA, Oudtshoorn
FNB, Ladismith

RELEVANT LEGISLATION

Municipal Finance Management Act (Act no 56 of 2003)
Division of Revenue Act
The Income Tax Act
Value Added Tax Act
Municipal Structures Act (Act no 117 of 1998)
Municipal Systems Act (Act no 32 of 2000)
Municipal Planning and Performance Management Regulations
Water Services Act (Act no 108 of 1997)
Housing Act (Act no 107 of 1997)
Municipal Property Rates Act (Act no 6 of 2004)
Electricity Act (Act no 41 of 1987)
Skills Development Levies Act (Act no 9 of 1999)
Employment Equity Act (Act no 55 of 1998)
Unemployment Insurance Act (Act no 30 of 1966)
Basic Conditions of Employment Act (Act no 75 of 1997)
Supply Chain Management Regulations, 2005
Collective Agreements
Infrastructure Grants
SALBC Leave Regulations
Financial Intelligence Centre Act (Act no 28 of 2001)
Supply Chain Management Regulations, 2005

KANNALAND MUNICIPALITY

MEMBERS OF THE KANNALAND MUNICIPALITY

COUNCILLORS

Proportional		PJ Antonie	Deputy Mayor
Proportional		ML Claasen	
Ward	1	J Donson	Mayor
Ward	2	WP Meshoa	
Ward	4	AJ Rossouw	
Ward	3	HD Ruiters	Speaker
Proportional		L Willemse	

APPROVAL OF FINANCIAL STATEMENTS

I am responsible for the preparation of these annual financial statements, which are set out on pages 1 to 84 in terms of Section 126 (1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

Mr. MM Hoogbaard
Municipal Manager

Date

KANNALAND MUNICIPALITY

STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2013

	Notes	2013 R (Actual)	2012 R (Restated)
NET ASSETS AND LIABILITIES			
Net Assets		193 733 114	185 242 233
Accumulated Surplus/(Deficit)		193 733 114	185 242 233
Non-Current Liabilities		20 069 637	18 512 191
Long-term Liabilities	2	10 816 342	9 692 843
Non-Current Employee Benefits	3	7 100 883	6 885 248
Non-Current Provisions	4	2 152 412	1 934 100
Current Liabilities		57 695 039	37 191 737
Consumer Deposits	5	559 519	521 831
Current Employee benefits	6	4 577 350	3 441 857
Provisions	7	2 889 390	2 889 390
Payables	8	36 314 309	24 187 564
Unspent Conditional Government Grants and Receipts	9	12 840 260	4 753 524
Taxes	10.1	-	-
Operating Lease Liability	20.1	23 049	15 056
Bank Overdraft	21	-	856 424
Current Portion of Long-term Liabilities	2	491 162	526 091
Total Net Assets and Liabilities		271 497 790	240 946 162
ASSETS			
Non-Current Assets		238 507 997	225 155 081
Property, Plant and Equipment	11	232 557 126	219 587 513
Investment Property	12	1 556 525	1 599 059
Intangible Assets	13	280 380	308 856
Capitalised restoration costs	14	67 988	88 545
Investments	15	4 043 791	3 564 511
Long-Term Receivables	16	2 186	6 597
Current Assets		32 989 794	15 791 084
Inventory	17	879 696	842 220
Receivables from exchange transactions	18	9 946 776	7 923 040
Receivables from non-exchange transactions	19	7 283 008	2 878 661
Unpaid Conditional Government Grants and Receipts	9	1 115 893	1 451 198
Operating Lease Asset	20.2	-	-
Current Portion of Long-term Receivables	16	4 123	3 525
Taxes	10.1	4 354 129	1 229 680
Cash and Cash Equivalents	21	9 406 169	1 462 760
Total Assets		271 497 791	240 946 165

KANNALAND MUNICIPALITY

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2013

	Notes	2013 (Actual) R	2012 (Restated) R	Correction of error R	2012 (Previously reported) R
REVENUE					
Revenue from Non-exchange Transactions		65 709 986	58 387 366	-	58 321 416
Taxation Revenue		8 867 886	8 343 022	-	8 343 022
Property taxes	22	8 867 886	8 343 022	-	8 343 022
Transfer Revenue		56 237 592	48 993 044	-	48 927 094
Government Grants and Subsidies - Capital	23	18 484 981	15 165 329		16 293 886
Government Grants and Subsidies - Operating	23	37 707 611	26 845 258	-	25 650 751
Public Contributions and Donations		45 000	6 982 457		6 982 457
Other Revenue		604 508	1 051 300	-	1 051 300
Fines		604 508	1 051 300	-	1 051 300
Revenue from Exchange Transactions		54 136 315	43 755 703	2 896 202	40 925 406
Service Charges	24	46 096 813	38 879 260	2 896 202	35 983 058
Rental of Facilities and Equipment		245 186	220 089	-	220 089
Interest Earned - external investments		997 115	727 656	-	727 656
Interest Earned - outstanding debtors		1 621 573	871 652	-	871 652
Licences and Permits		109 513	101 448	-	101 448
Income for Agency Services		585 053	541 245	-	541 245
Other Income	25	1 414 205	2 045 606	-	2 111 512
Property Rates - penalties imposed and collection charges		-	-	-	-
Actuarial Gain	3	531 859	-	-	-
Gain on disposal of Property, Plant and Equipment		-	36 833	-	36 833
Debt Impairment		2 534 998	331 914	-	331 914
Total Revenue		119 846 301	102 143 069	2 896 202	99 246 822
EXPENDITURE					
Employee related costs	26	28 903 008	29 379 364	-	29 379 364
Remuneration of Councillors	27	2 575 042	2 203 693	-	2 203 693
Debt Impairment	28	7 085 388	3 907 545	-	3 907 545
Collection costs		-	26 022	-	26 022
Depreciation and Amortisation	29	7 689 329	9 460 327	-	9 364 077
Impairments	30	2 707	586	-	586
Repairs and Maintenance		1 807 884	1 779 701	-	1 779 701
Actuarial losses	3	-	46 136	-	46 136
Finance Charges	31	3 117 089	2 896 303	-	2 862 970
Bulk Purchases	32	22 642 460	22 326 126	-	20 378 611
Contracted Services		4 411 839	1 094 572	-	1 094 529
Stock Adjustments		1	-	-	1
Operating Grant Expenditure		18 738 191	9 368 877	-	9 368 877
General Expenses	33	14 382 482	11 447 518	-	11 549 158
Loss on Derecognition of Assets	34	-	2 079 463	-	2 079 463
Total Expenditure		111 355 420	96 016 233	-	94 040 733
NET SURPLUS/(DEFICIT) FOR THE YEAR		8 490 881	6 126 836	2 896 202	5 206 089

KANNALAND MUNICIPALITY

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2013

	Accumulated Surplus/ (Deficit)	Total
	R	R
Balance at 1 JULY 2011	179 115 398	179 115 398
Correction of error - Note 35.2	-	-
Restated Balance at 1 JULY 2011	179 115 398	179 115 398
Correction of error - Note 35.2	-	-
Net Surplus for the year	6 126 836	6 126 836
Restated Balance at 30 JUNE 2012	185 242 233	185 242 233
Net Surplus for the year	8 490 881	8 490 881
Balance at 30 JUNE 2013	193 733 114	193 733 114

KANNALAND MUNICIPALITY

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2013

	Notes	2013 R (Actual)	2012 R (Restated)
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts			
Rates and taxes		4 463 539	6 478 001
Sales of goods and services		37 337 990	31 168 029
Grants and public contributions		64 659 633	47 825 891
Interest received		2 618 688	1 599 308
Other		2 550 572	3 133 739
Payments			
Employees and councillors		(30 126 922)	(29 469 663)
Suppliers		(49 667 282)	(32 991 753)
Finance charges	31	(3 117 089)	(2 896 303)
Other payments		(1)	(2 151 621)
Transfers and Grants		-	-
Cash generated by operations	36	28 719 128	22 695 627
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of Property, Plant and Equipment	11	(20 553 075)	(15 633 987)
Purchase of Investment property	12	-	-
Decrease/(Increase) in Non-current Investments	15	(479 280)	(440 170)
Purchase of Intangible Assets	13	(17 007)	(26 812)
Decrease/(Increase) in Long-term receivables	16	3 813	3 569
Net Cash from Investing Activities		(21 045 550)	(16 097 400)
CASH FLOW FROM FINANCING ACTIVITIES			
Loans repaid		1 088 570	(7 435 035)
Increase in Consumer Deposits		37 687	(21 511)
Net Cash from Financing Activities		1 126 257	(7 456 546)
NET INCREASE IN CASH AND CASH EQUIVALENTS		8 799 836	(858 319)
Cash and Cash Equivalents at the beginning of the year		606 336	1 464 650
Cash and Cash Equivalents at the end of the year	37	9 406 169	606 336
NET INCREASE IN CASH AND CASH EQUIVALENTS		8 799 833	(858 314)

INSERT ACCOUNTING POLICY

11 PROPERTY, PLANT AND EQUIPMENT

30 JUNE 2013

Reconciliation of Carrying Value

	Cost					Accumulated Depreciation and Impairment Losses						Carrying Value	
	Opening Balance R	Additions R	Under construction R	Derecognition R	Transfers	Closing Balance R	Opening Balance R	Depreciation Charge R	Impairments R	Derecognition R	Transfers	Closing Balance R	R
Land and Buildings	11 006 853	-		-	-	11 006 853	1 018 804	180 139	-	-	-	1 198 943	9 807 910
Land	4 228 722					4 228 722	-					-	4 228 722
Buildings	6 778 131					6 778 131	1 018 804	180 139				1 198 943	5 579 188
Infrastructure	281 744 426	8 657 421	8 271 805	-		298 673 652	89 186 635	5 703 019	-	-		94 889 654	203 783 998
Stormwater and Roads	61 942 925	1 644 988	290 686			63 878 599	24 297 616	1 690 094				25 987 710	37 890 889
Sewerage	67 664 176		4 345 450			72 009 626	23 213 531	2 056 359				25 269 890	46 739 736
Electricity	62 603 470	4 385 965				66 989 435	15 498 697	908 345				16 407 042	50 582 393
Refuse	74 340		49 429			123 769	15 136	2 634				17 770	105 999
Water	88 458 150	2 626 469	3 586 240			94 670 859	25 987 179	1 045 589				27 032 768	67 638 091
Fencing	1 001 365					1 001 365	174 476	-				174 476	826 889
Under construction						-	-		-			-	-
Community Assets	16 316 880	1 456 062	71 260	-		17 844 202	2 743 942	290 950	-			3 034 892	14 809 309
Recreation Grounds	5 502 470	1 371 532	71 260			6 945 262	732 014	19 373				751 387	6 193 875
Civic Buildings	4 061 977					4 061 977	604 731	110 797				715 528	3 346 449
Libraries	1 405 875	65 030	-			1 470 905	198 829	36 973				235 802	1 235 103
Parks and Gardens	77 500	19 500	-			97 000	7 442	2 245				9 687	87 313
Swimming Pools	5 242 035					5 242 035	1 196 895	120 825				1 317 720	3 924 315
Cemetery	27 023					27 023	4 031	737				4 768	22 255
Lease Assets	111 424	2 164 345		-		2 275 770	67 141	568 692	-			635 833	1 639 937
Office Equipment	111 424	2 164 345		-		2 275 770	67 141	568 692	-			635 833	1 639 937
Heritage Assets	-	-		-		-	-	-	-			-	-
Buildings	-	-		-		-	-	-	-			-	-
Other Assets	8 432 161	28 432		-		8 460 593	5 007 709	936 912	-	-		5 944 621	2 515 972
Computer equipment	1 245 898					1 245 898	757 382	219 176				976 558	269 340
Emergency equipment	23 014					23 014	16 452	-				16 452	6 562
Furniture & Fittings	1 216 401					1 216 401	721 815	286 339				1 008 154	208 246
Motor vehicles	4 064 519					4 064 519	2 291 364	265 738				2 557 102	1 507 418
Office Equipment	740 939					740 939	464 579	30 269				494 848	246 090
Other	588					588	421					421	167
Plant and equipment	1 140 802	28 432				1 169 234	755 696	135 389				891 085	278 149
	317 611 744	12 306 260	8 343 065	-	-	338 261 069	98 024 231	7 679 712	-	-	-	105 703 943	232 557 126

KANNALAND MUNICIPALITY NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

30 JUNE 2012

Reconciliation of Carrying Value

Reconciliation of Carrying Value	Cost					Accumulated Depreciation and Impairment Losses						Carrying Value	
	Opening Balance R	Additions R	Under construction R	Disposals R	Transfers	Closing Balance R	Opening Balance R	Depreciation Charge R	Impairments R	Disposals R	Transfers	Closing Balance R	R
Land and Buildings	11 173 923	-		-167 070		11 006 853	826 876	213 459	-			1 018 804	9 988 049
Land	4 236 722	-		-8 000		4 228 722	-	-	-			-	4 228 722
Buildings	6 937 201	-		-159 070		6 778 131	826 876	213 459		-21 531		1 018 804	5 759 327
Infrastructure	266 768 486	3 623 707	13 516 206	-2 163 973		281 744 426	83 573 571	6 005 801	-			89 186 635	192 557 791
Stormwater and Roads	58 875 261	2 620 285	447 379	-		61 942 925	22 532 832	1 764 784	-			24 297 616	37 645 309
Sewerage	64 852 713		2 811 463	-		67 664 176	21 207 947	2 005 584	-			23 213 531	44 450 645
Electricity	63 598 224	970 544		-1 965 298		62 603 470	14 806 963	1 010 881	-	-319 147		15 498 697	47 104 773
Refuse	74 340					74 340	11 841	3 295				15 136	59 204
Water	78 366 583	32 878	10 257 364	-198 675		88 458 150	24 877 206	1 183 563		-73 590		25 987 179	62 470 971
Fencing	1 001 365					1 001 365	136 782	37 694				174 476	826 889
Community Assets	16 239 336	77 544		-		16 316 880	2 140 584	603 358	-			2 743 942	13 572 938
Recreation Grounds	5 502 470	-		-		5 502 470	570 621	161 393	-			732 014	4 770 456
Civic Buildings	4 061 977					4 061 977	476 321	128 410				604 731	3 457 246
Libraries	1 328 331	77 544				1 405 875	156 180	42 649				198 829	1 207 046
Parks and Gardens	77 500	-				77 500	4 840	2 602				7 442	70 058
Swimming Pools	5 242 035	-				5 242 035	929 445	267 450				1 196 895	4 045 140
Cemetery	27 023	-		-		27 023	3 177	854	-			4 031	22 992
Lease Assets	111 424	-		-		111 424	22 614	44 527	-			67 141	44 283
Office Equipment	111 424	-		-		111 424	22 614	44 527	-			67 141	44 283
Other Assets	8 458 721	469 346		-495 906		8 432 161	2 965 902	2 305 422	-	-263 615		5 007 709	3 424 452
Computer equipment	1 242 824	201 021		-197 947		1 245 898	469 584	388 302	-	-100 504		757 382	488 516
Emergency equipment	28 252			-5 238		23 014	12 097	7 348	-	-2 993		16 452	6 562
Furniture & Fittings	1 168 547	206 239		-158 385		1 216 401	462 908	347 389	-	-88 482		721 815	494 586
Motor vehicles	4 064 519					4 064 519	1 231 157	1 060 207	-			2 291 364	1 773 155
Office Equipment	746 544	60 340		-65 945		740 939	289 036	207 142	-	-31 599		464 579	276 360
Other	588					588	252	169	-			421	167
Plant and equipment	1 207 447	1 746		-68 391		1 140 802	500 868	294 865	-	-40 037		755 696	385 106
	302 751 890	4 170 597		-2 826 949		317 611 744	89 529 547	9 172 567	-	-263 615	-	98 024 231	219 587 513

2

LONG-TERM LIABILITIES

Annuity Loans - At amortised cost
Capitalised Lease Liability - At amortised cost

2013 R	2012 R
9 673 522	10 144 531
1 633 982	74 403

11 307 504 **10 218 934**

Current Portion transferred to Current Liabilities

(491 162) **(526 091)**

Annuity Loans - At amortised cost

(471 425) (471 425)

Capitalised Lease Liability - At amortised cost

(19 737) (54 666)

Total Long-term Liabilities - At amortised cost using the effective interest rate method

10 816 342 **9 692 843**

The obligations under finance leases are scheduled below:

**Minimum
lease payments**

Amounts payable under finance leases:

Payable within one year

Payable within two to five years

	68 729
	22 910

- 91 639

1 633 982 (17 236)

1 633 982 **74 403**

Less: Future finance charges obligations

Present value of lease obligations

Leases are secured by property, plant and equipment - Note 11

The annuity loans are partly secured by an investment - Note 15

Refer to Appendix A for descriptions, maturity dates and effective interest rates of structured loans and finance.

<u>Supplier</u>	<u>Description of leased item</u>	<u>Effective Interest rate</u>	<u>Annual Escalation</u>	<u>Lease Term</u>	<u>Maturity Date</u>
Technofin	Photocopier	11%	0%	60 months	2013/10/31

3

NON-CURRENT EMPLOYEE BENEFITS

Post Retirement Health Care Benefits

5 980 021 5 920 783

Long Service Awards

1 120 862 964 465

Total Non-current Employee Benefit Liabilities

7 100 883 **6 885 248**

Post Retirement Health Care Benefits

Balance 1 July

6 176 575 5 535 782

Current service cost

308 043 320 719

Interest Cost

468 052 464 476

Contributions (benefits paid)

(241 918) (225 487)

Actuarial Loss/(Gain)

(450 267) 81 085

Total Post Retirement Health Care Benefits 30 June

6 260 485 **6 176 575**

Less: Transfer of Current Portion - Note 6

(280 464) (255 792)

Balance 30 June

5 980 021 **5 920 783**

Long Service Awards

Balance 1 July

1 075 657 882 381

Current service cost

169 065 132 896

Interest Cost

65 742 64 349

Benefit Vesting

(31 616) (45 840)

Actuarial Loss/(Gain)

(81 592) 41 871

Total long service 30 June

1 197 256 **1 075 657**

Less: Transfer of Current Portion - Note 6

(76 394) (111 192)

Balance 30 June

1 120 862 **964 465**

TOTAL NON-CURRENT EMPLOYEE BENEFITS

Balance 1 July

7 252 232 6 418 163

Current service cost

477 108 453 615

Interest cost

533 794 528 825

Benefits paid / vested

(273 534) (271 327)

Actuarial Loss/(Gain)

(531 859) 122 956

Total employee benefits 30 June

7 457 741 **7 252 232**

Less: Transfer of Current Portion - Note 6

(356 858) (366 984)

Balance 30 June

7 100 883 **6 885 248**

3	EMPLOYEE BENEFITS (CONTINUE)	2013 R	2012 R
3.1	Post Retirement Health Care Benefits		
	The Post Retirement Health Care Benefit Plan is a defined benefit plan, of which the members are made up as follows:		
	In-service (employee) members	52	52
	In-service (employee) non-members	35	48
	Continuation members (e.g. Retirees, widows, orphans)	11	11
	Total Members	98	111
	The liability in respect of past service has been estimated to be as follows:		
	In-service members	2 635 072	2 651 618
	Continuation members	3 625 417	3 524 957
	Total Liability	6 260 489	6 176 575
	The municipality makes monthly contributions for health care arrangements to the following medical aid schemes:		
	Hosmed		
	LA Health		
	Key Health, and		
	SAMWU Medical Aid		
	The Current-service Cost for the ensuing year is estimated to be R320 729, whereas the Interest Cost for the next year is estimated to be R464,476 .		
3.1	Post Retirement Health Care Benefits	2013 %	2012 %
	Key actuarial assumptions used:		
	i) Rate of interest		
	Discount rate	8.66%	7.74%
	Health Care Cost Inflation Rate	7.55%	6.91%
	Net Effective Discount Rate	1.03%	0.77%
	ii) Mortality rates		
	The PA 90 ultimate table, rated down by 1 year of age was used by the actuaries.		
	iii) Normal retirement age		
	It has been assumed that in-service members will retire at age 60, which then implicitly allows for expected rates of early and ill-health retirement.		
	The amounts recognised in the Statement of Financial Position are as follows:		
	Present value of fund obligations	5 980 021	5 920 783
	Net liability/(asset)	5 980 021	5 920 783
	The municipality has elected to recognise the full increase in this defined benefit liability immediately as per IAS 19, Employee Benefits, paragraph 155 (a).		
	Reconciliation of present value of fund obligation:		
	Present value of fund obligation at the beginning of the year	6 176 575	5 535 782
	Total expenses	534 177	559 708
	Current service cost	308 043	320 719
	Interest Cost	468 052	464 476
	Benefits Paid	(241 918)	(225 487)
	Actuarial (gains)/losses	(450 267)	81 085
	Present value of fund obligation at the end of the year	6 260 485	6 176 575
	Less: Transfer of Current Portion - Note 6	(280 464)	(255 792)
	Balance 30 June	5 980 021	5 920 783

3 EMPLOYEE BENEFITS (CONTINUE)**3.1 Post Retirement Health Care Benefits****Sensitivity Analysis on the Accrued Liability**

Assumption	In-service members liability (Rm)	Continuation members liability (Rm)	Total liability (Rm)	% change
Central Assumptions	2.635	3.625	6.26	

The effect of movements in the assumptions is as follows:

Assumption	Change	In-service members liability (Rm)	Continuation members liability (Rm)	Total liability (Rm)	% change
Health care inflation	1%	3.223	3.895	7.117	14%
Health care inflation	-1%	2.169	3.400	5.568	-11%
Post-retirement mortality	-1 year	2.745	3.767	6.513	4%
Average retirement age	-1 year	2.959	3.625	6.584	5%
Withdrawal Rate	-50%	2.951	3.625	6.576	5%

3.2 Retirement funds

The Municipality makes provision for post-retirement benefits to eligible councillors and employees, who belong to different pension schemes. These funds are governed by the Pension Funds Act, and include both defined benefit and defined contribution schemes.

Both the Cape Joint Fund and Cape Retirement Fund are multi-employer plans. This means that there are multiple local authorities that participate in these funds. GRAP25.31 state that when sufficient information is not available to use defined benefit accounting for a multi-employer plan, an entity will account for the plan as if it were a defined contribution plan.

The Municipality was not supplied with information on the Municipality's share of the Pension and Retirement Funds' assets by the fund administrator.

Combined plans (including both defined benefit and defined contribution members)**CAPE JOINT PENSION FUND**

The contribution rate payable is 9% by members and 18% by Council. The last actuarial valuation performed for the year ended 30 June 2012 revealed that the fund is in a sound financial position with a funding level of 99.90% (30 June 2011 - 98.10%).

CAPE JOINT RETIREMENT FUND

The contribution rate payable is 9% by members and 18% by Council. The last actuarial valuation performed for the year ended 30 June 2012 revealed that the fund is in a sound financial position with a funding level of 108.00% (30 June 2011 - 103.30%).

Defined contribution plans

Council contribute to the Government Employees Pension Fund, Municipal Council Pension Fund, IMATU Retirement Fund and SAMWU National Provident Fund which are defined contribution funds. The retirement benefit fund is subject to the Pension Fund Act, 1956, with pension being calculated on the pensionable remuneration paid. Current contributions by Council are charged against expenditure on the basis of current service costs.

	2013 R	2012 R
Contributions paid recognised in the Statement of Financial Performance	2 315 537	2 237 506

3	EMPLOYEE BENEFITS (CONTINUE)	2013 R	2012 R
3.3	Long Service Awards		
	Reconciliation of present value of fund obligation:		
	Present value of fund obligation at the beginning of the year	882 381	882 381
	Total expenses	203 191	86 550
	Current service cost	169 065	132 896
	Interest Cost	65 742	64 349
	Benefit Vesting	(31 616)	(45 840)
	Actuarial (gains)/losses	(81 592)	20 766
	Present value of fund obligation at the end of the year	1 003 980	882 381
	Less: Transfer of Current Portion - Note 7	(111 192)	(111 192)
	Balance 30 June	892 788	764 072

Sensitivity Analysis on the Accrued Liability

	2013 %	2012 %
Key actuarial assumptions used:		
i) Rate of interest		
Discount rate	7.47%	7.81%
General Salary Inflation	6.85%	6.27%
Net Effective Discount Rate	0.58%	1.44%

Assumption	Change	Current Service Cost	Interest Cost	Total	% Change
Central Assumption		169 100	65 700	234 800	
General Salary Inflation	1.00%	182 500	71 100	253 600	8.00%
General Salary Inflation	-1.00%	157 300	61 000	218 300	-7.00%
Post-retirement mortality	-2 years	160 300	60 000	220 300	-6.00%
Average retirement age	+2 years	180 400	71 900	252 300	7.00%
Withdrawal Rate	-50.0%	225 300	80 100	305 400	30.00%

4 NON-CURRENT PROVISIONS

Provision for Rehabilitation of Landfill-sites	2 152 412	1 934 100
Total Non-current Provisions	2 152 412	1 934 100

Provision is made for the estimated cost of rehabilitating waste sites. The provision has been determined on the basis of a recent independent study. The cost factors derived from the study by a firm of consulting engineers have been applied and projected at an annual inflation rate of 6% and discounted to present value at the return on investments of 6.42%; hence the difference. The payment dates of total closure and rehabilitation are uncertain, but are currently expected to be between 2012.

Landfill Sites

Balance 1 July	4 823 490	4 823 490
Contribution for the year	218 312	-
Total provision 30 June	5 041 802	4 823 490
Current Portion - Refer note	(2 889 390)	(2 889 390)
Balance 30 June	2 152 412	1 934 100

Location	Site Dimensions	Estimated decommission date	Cost of Rehabilitation 2013	Cost of Rehabilitation 2012
Ladismith	9 000m ²	2016	1 093 682	1 046 325
Calitzdorp	20 000m ²	2013	1 487 144	1 422 750
Zoar	20 000m ²	2018	927 956	887 775
Van Wyksdorp	10 000m ²	2008	1 533 021	1 466 640
			5 041 802	4 823 490

	2013 R	2012 R
5 CONSUMER DEPOSITS		
Electricity and Water	559 519	521 836
Total Consumer Deposits	559 519	521 836
Guarantees held in lieu of Electricity and Water Deposits	-	-
The fair value of consumer deposits approximates their carrying value. Interest is not paid on these amounts.		
6 CURRENT EMPLOYEE BENEFITS		
Current Portion of Post Retirement Health Care Benefits - Note 3	356 858	366 984
Staff Leave	3 396 824	2 461 996
Bonuses	823 668	612 877
Total Current Employee Benefits	4 577 350	3 441 857
The movement in current employee benefits are reconciled as follows:		
<u>Staff Leave</u>		
Balance at beginning of year	2 461 996	1 266 940
Contribution to current portion	1 254 436	1 195 056
Leave payments made	(319 608)	
Balance at end of year	3 396 824	2 461 996
Staff leave accrued to employees according to collective agreement. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave. There is no possibility of reimbursement.		
<u>Bonuses</u>		
Balance at beginning of year	555 183	470 915
Contribution to current portion	210 791	84 268
Balance at end of year	765 974	555 183
Bonuses are being paid to all municipal staff, excluding section 57 Managers. The balance at year end represent to portion of the bonus that have already vested for the current salary cycle. There is no possibility of reimbursement.		
7 PROVISIONS		
Current Portion of Rehabilitation of Landfill-sites - Note 4	2 889 390	2 889 390
Total Provisions	2 889 390	2 889 390
8 PAYABLES		
Trade Payables	31 032 329	17 276 971
Sundry Creditors	3 744 185	5 316 632
Payments received in advance <i>Receivables from exchange transactions</i>	851 177	1 168 050
Payments received in advance <i>Receivables from non-exchange transactions</i>	75 965	
Retentions	442 362	305 384
Sundry Deposits	168 291	120 527
SETA	-	-
Total Trade Payables	36 314 309	24 187 564

Payables are being recognised net of any discounts.

Payables should be paid within 30 days as prescribed by the MFMA. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of trade and other payables on initial recognition is not deemed necessary

The carrying value of trade and other payables approximates its fair value.

Sundry deposits include library deposits.

		2013 R	2012 R
9	UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS		
	Unspent Grants	12 840 260	4 753 524
	National Government Grants	5 051 265	2 577 449
	Provincial Government Grants	1 461 855	1 584 780
	Balance previously reported		2 033 421
	Correction of Error		(448 641)
	District Municipality	128 118	152 272
	Other Grant Providers	6 199 022	439 023
	Less: Unpaid Grants	1 115 893	1 451 198
	National Government Grants	1 107 717	1 422 839
	Provincial Government Grants	8 176	28 359
	District Municipality	-	-
	Other Grant Providers	-	-
	Total Conditional Grants and Receipts	11 724 367	3 302 326
	See appendix "B" for reconciliation of grants from other spheres of government. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised. No grants were withheld.		
10	TAXES		
10.1	VAT PAYABLE		
	VAT Payable	-	-
	VAT output in suspense	8 953 126	4 834 726
	Total Vat payable	8 953 126	4 834 726
10.2	VAT RECEIVABLE		
	VAT Refundable	3 026 747	13 531
	Balance previously reported		13 531
	Correction of Error	-	-
	VAT input in suspense	10 280 508	6 050 875
	Total VAT receivable	13 307 255	6 064 406
10.3	NET VAT RECEIVABLE/(PAYABLE)	4 354 129	1 229 680

VAT is receivable/payable on the cash basis.

11 **PROPERTY, PLANT AND EQUIPMENT**

See attached sheet

12 INVESTMENT PROPERTY**Net Carrying amount at 1 July**

Cost

Accumulated Depreciation

Depreciation for the year

Net Carrying amount at 30 June

Cost

Accumulated Depreciation

2013
R**2012**
R**1 599 059****1 648 435**1 831 704
(232 645)1 831 704
(183 269)

(42 534)

(49 376)

1 556 525**1 599 059**1 831 704
(275 179)1 831 704
(232 645)**13 INTANGIBLE ASSETS****Computer Software****Net Carrying amount at 1 July**

Cost

Accumulated Amortisation

Additions

Amortisation

Disposals

Net Carrying amount at 30 June

Cost

Accumulated Amortisation

308 856**394 467**610 870
(302 014)585 267
(190 800)

17 007

28 483

(45 483)

(112 423)

(1 671)

280 380**308 856**627 877
(347 497)610 870
(302 014)

The following material intangible assets are included in the carrying value above

DescriptionRemaining Amortisation
Period

Software - Microsoft Office and other

Refer to accounting policy

Carrying Value	
2013	2012
R	R
280 380	308 856

No intangible asset were assed having an indefinite useful life.

There are no internally generated intangible assets at reporting date.

There are no intangible assets whose title is restricted.

There are no intangible assets pledged as security for liabilities

There are no contractual commitments for the acquisition of intangible assets.

14 CAPITALISED RESTORATION COST**Net Carrying amount at 1 July**

Cost

Accumulated Depreciation

Balance previously reported
Correction of Error

Accumulated Impairments

Correction of Error

Depreciation for the year

Balance previously reported
Correction of Error

Impairment

Balance previously reported
Correction of Error**Net Carrying amount at 30 June**

Cost

Accumulated Depreciation

Accumulated Impairment

R**R****88 545****130 144**1 273 227
(1 172 794)1 273 227
(1 143 083)

-

-

(11 888)

(11 302)

(11 888)

(11 302)

-

-

(17 850)

(29 711)

-

-

(2 707)

(586)

-

-

67 988**88 545**1 273 227
(1 190 644)
(14 595)1 273 227
(1 172 794)
(11 888)

15	NON-CURRENT INVESTMENTS	2013 R	2012 R
	Fixed Deposits	4 043 791	3 564 511
	Total Non-Current Investments	4 043 791	3 564 511
	Fixed Deposits are investments with a maturity period of more than 12 months and earn interest of 13.46 % per annum.		
	Investments to the value of R3 564 511 are pledged as security for long term liability - Refer to note 2		
	Fixed deposits consist out of the following accounts		
	RMB FIXED DEPOSIT	4 043 791	3 564 511
		4 043 791	3 564 511
	Included in Non-Current investments are balances ring-fenced for the following specific purposes		
	Repayment of long term liabilities	4 043 791	3 564 511
		4 043 791	3 564 511
16	LONG-TERM RECEIVABLES		
	Golf Club	6 309	10 122
		6 309	10 122
	Less: Current portion transferred to current receivables	(4 123)	(3 525)
	Golf Club	(4 123)	(3 525)
	Total Non Current Long Term Receivables	2 186	6 597
17	INVENTORY		
	Consumable Stores - General	816 782	842 220
	Electricity Consumables	-	319 829
	Correction of error	-	(319 829)
	Water on Hand	62 914	-
	Total Inventory	879 696	842 220
18	RECEIVABLES FROM EXCHANGE TRANSACTIONS		
	Electricity	5 167 823	5 926 535
	Water	7 109 106	4 284 115
	Refuse	7 314 001	12 376 937
	Sewerage	7 804 400	14 809 908
	Housing	133 147	521 633
	Other	6 355 196	5 595 019
	Total Receivables from Exchange Transactions	33 883 673	43 514 147
	Less: Allowance for Doubtful Debts	(23 936 897)	(35 591 107)
	Total Net Receivables from Exchange Transactions	9 946 776	7 923 040
	Consumer debtors are payable within 30 days. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of trade and other receivables on initial recognition is not deemed necessary		
	Ageing of Receivables from Exchange Transactions:		
	(Electricity): Ageing		
	Current (0 - 30 days)	2 075 992	2 380 778
	31 - 60 Days	130 571	149 740
	61 - 90 Days	307 517	352 665
	+ 90 Days	2 653 744	3 043 352
	Total	5 167 823	5 926 535

	2013 R	2012 R
RECEIVABLES FROM EXCHANGE TRANSACTIONS (CONTINUE)		
<u>(Water): Ageing</u>		
Current (0 - 30 days)	912 554	549 926
31 - 60 Days	623 561	375 773
61 - 90 Days	1 304 697	786 241
+ 90 Days	4 268 294	2 572 175
Total	7 109 106	4 284 115
<u>(Refuse): Ageing</u>		
Current (0 - 30 days)	538 610	911 450
31 - 60 Days	195 818	331 367
61 - 90 Days	191 232	323 608
+ 90 Days	6 388 341	10 810 512
Total	7 314 001	12 376 937
<u>(Sewerage): Ageing</u>		
Current (0 - 30 days)	597 764	1 134 338
31 - 60 Days	218 319	414 289
61 - 90 Days	204 720	388 485
+ 90 Days	6 783 598	12 872 797
Total	7 804 400	14 809 908
<u>(Housing): Ageing</u>		
Current (0 - 30 days)	4 507	17 657
31 - 60 Days	1 742	6 823
61 - 90 Days	2 142	8 390
+ 90 Days	124 757	488 763
Total	133 147	521 633
<u>(Other): Ageing</u>		
Current (0 - 30 days)	-444 229	(391 093)
31 - 60 Days	26 964	23 739
61 - 90 Days	62 164	54 728
+ 90 Days	6 710 297	5 907 644
Total	6 355 196	5 595 019
<u>(Total): Ageing</u>		
Current (0 - 30 days)	3 685 197	4 603 056
31 - 60 Days	1 196 974	1 301 732
61 - 90 Days	2 072 472	1 914 116
+ 90 Days	26 929 030	35 695 243
Total	33 883 673	43 514 147
Reconciliation of Provision for Bad Debts		
Balance at beginning of year	35 591 107	31 080 332
Contribution to provision/(Reversal of provision)	7 085 388	3 907 545
Write off of bad debts	(17 869 462)	-
Movement in provision for output VAT	(870 136)	603 230
Balance at end of year	23 936 897	35 591 107

The provision for doubtful debts on debtors (loans and receivables) exists due to the possibility that not all debts will be recovered. Loans and receivables were assessed individually and grouped together at the Statement of Financial Position date as financial assets with similar credit risk characteristics and collectively assessed for impairment.

Concentrations of credit risk with respect to trade receivables are limited due to the municipality's large number of customers. The municipality's historical experience in collection of trade receivables falls within recorded allowances. Due to these factors, management believes that no additional risk beyond amounts provided for collection losses is inherent in the municipality's trade receivables.

19 RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

	2013 R	2012 R
Rates	14 811 240	12 505 638
Other Receivables	409 837	846 090
Fuel Deposits	-	-
Eskom Deposits	17 481	17 481
Other	392 356	828 609
Total Receivables from Non-Exchange Transactions	15 221 077	13 351 728
Less: Allowance for Doubtful Debts	(7 938 069)	(10 473 067)
Total Net Receivables from Non-Exchange Transactions	7 283 008	2 878 661

Ageing of Receivables from Non-Exchange Transactions:

(Rates): Ageing

Current (0 - 30 days)	937 607	791 653
31 - 60 Days	294 173	248 381
61 - 90 Days	274 561	231 821
+ 90 Days	13 304 899	11 233 783
Total	14 811 240	12 505 638

Reconciliation of Provision for Bad Debts

Balance at beginning of year	10 473 067	10 804 981
Contribution to provision/(Reversal of provision)	(2 534 998)	(331 914)
Balance at end of year	7 938 069	10 473 067

Concentrations of credit risk with respect to trade receivables are limited due to the municipality's large number of customers. The municipality's historical experience in collection of trade receivables falls within recorded allowances. Due to these factors, management believes that no additional risk beyond amounts provided for collection losses is inherent in the municipality's trade receivables.

20 OPERATING LEASE ARRANGEMENTS**20.1 The Municipality as Lessee (Liability)**

Balance on 1 July	15 056	
Movement during the year	7 993	15 056
Balance on 30 June	23 049	15 056.00

At the Statement of Financial Position date, where the municipality acts as a lessee under operating leases, it will pay operating lease expenditure as follows:

Up to 1 Year		147 375
1 to 5 Years		183 150
More than 5 Years	-	-
Total Operating Lease Arrangements	-	330 525.00

The lease is in respect of municipal offices. The lease agreement is for 36 months, with an escalation of 10%. The contract has an option to renew or to purchase.

The municipality also has operating leases for office equipment. The original period of the contracts have expired and the machines are rented on a month to month basis

	2013 R	2012 R
20.2 The Municipality as Lessor (Asset)		
Balance on 1 July	-	12 288
Movement during the year	-	(12 288)
Balance on 30 June	-	-

At the Statement of Financial Position date, where the municipality acts as a lessor under operating leases, it will receive operating lease income as follows:

Minimum rental payments

Up to 1 Year	-	16 083
1 to 5 Years	-	-
More than 5 Years	-	-
Total Operating Lease Arrangements	-	16 083

The municipality leases out properties on a short-term basis without fixed contracts

21 CASH AND CASH EQUIVALENTS

Assets

Call Investments Deposits	6 100 827	1 459 460
Bank Accounts	3 302 042	-
Cash on Hand	3 300	3 300
Total Cash and Cash Equivalents - Assets	9 406 169	1 462 760

Liabilities

Primary Bank Account	-	856 424
Total Cash and Cash Equivalents - Liabilities	-	856 424

Cash and cash equivalents comprise cash held and short term deposits. The carrying amount of these assets approximates their fair value.

The municipality has the following bank accounts:

Current Accounts

Oudtshoorn ABSA Bank - Account Number 11-2000-0019 (Primary Bank Account):	3 302 042	(856 424)
Ladismith FNB Bank - Account Number 621-6355-4580 (Traffic Account):	-	-
	3 302 042	(856 424)

Oudtshoorn ABSA Bank - Account Number 11-2000-0019 (Primary Bank Account):

Cash book balance at beginning of year	(856 424)	1 050 386
Cash book balance at end of year	3 302 042	(856 424)

Bank statement balance at beginning of year	752 244	154 384
Bank statement balance at end of year	404 754	752 244

Ladismith FNB Bank - Account Number 527-8273-0231 (Primary Bank Account):

Cash book balance at beginning of year	-	-
Cash book balance at end of year	-	-

Both Primary Bank Accounts are represented by one control account in the General Ledger.(See above)

Bank statement balance at beginning of year	236 518	386 362
Bank statement balance at end of year	450 562	236 518

Ladismith FNB Bank - Account Number 621-6355-4580 (Traffic Account):

Cash book balance at beginning of year	-	-
Cash book balance at end of year	-	(235 548)

Bank statement balance at beginning of year	474 333	386 382
Bank statement balance at end of year	4 217	474 333

Call Investment Deposits

Call investment deposits consist out of the following accounts:

Oudtshoorn ABSA Bank - Account Number 91-1717-7062 (Call Account):
Ladismith FNB Bank - Account Number 621-3204-2988 (Money Market Account):

2013 R	2012 R
6 090 475	1 449 211
10 352	10 249
<u>6 100 827</u>	<u>1 459 460</u>

A guarantee of R20000 in favour of the Department of Minerals and Energy is held by Absa Bank
A limited cession of ABSA investment number 9117177062 for R20000 to cover guarantee.

22

PROPERTY TAXES**Actual****Rateable Land and Buildings**

Residential, Commercial Property, State

Less: Rebates

Total Assessment Rates

17 457 991	16 623 796
<u>17 457 991</u>	<u>16 623 796</u>
<u>(8 590 105)</u>	<u>(8 280 774)</u>
<u>8 867 886</u>	<u>8 343 022</u>

Valuations - 1 JULY 2009**Rateable Land and Buildings**

Calitzdorp: Land and Buildings
Ladismith: Land and Buildings
Vanwyksdorp: Land and Buildings
Rural: Land and Buildings
Zoar: Land and Buildings

223 783 340	223 074 340
386 127 000	386 100 000
27 010 000	26 595 000
829 265 100	836 227 100
<u>55 478 000</u>	<u>55 211 000</u>
<u>1 521 663 440</u>	<u>1 527 207 440</u>

Valuations on land and buildings are performed every four years. The last valuation came into effect on 1 July 2009.
The following Rebates were applied: 30% of for pensioners, 75% of for agricultural and residential properties with R 40 000 value or less are exempt.

Rates:

Ladismith Urban Area
Calitzdorp Urban Area
Vanwyksdorp Urban Area
Zoar urban Area
Business, Commercial and Industrial
Rural Area

c/R	c/R
0.009438	0.0089
0.009438	0.0089
0.009438	0.0089
0.009438	0.0089
0.018876	0.0178
0.009438	0.0089

Rates are levied annually and monthly. Monthly rates are payable by the 7th of the following month and annual rates are payable before 30 September. Interest is levied at the prime rate plus 1% on outstanding monthly rates.

Rebates can be defined as any income that the Municipality is entitled by law to levy, but which has subsequently been forgone by way of rebate or remission.

23

GOVERNMENT GRANTS AND SUBSIDIES**Unconditional Grants**

Equitable Share

Conditional Grants

Grants and donations

Total Government Grants and Subsidies

Government Grants and Subsidies - Capital

Government Grants and Subsidies - Operating

**2013
R****2012
R****18 989 000****16 840 000**

18 989 000

16 840 000

37 203 592**24 721 946**

37 203 592

24 721 946

56 192 592**41 561 946**

18 484 981

15 165 329

37 707 611

26 396 617

56 192 592**41 561 946**

The municipality does not expect any significant changes to the level of grants.

23.1 Equitable share

Opening balance

Grants received

Conditions met - Operating

Conditions still to be met

-

-

18 989 000

16 840 000

(18 989 000)

(16 840 000)

-

-

The Equitable Share is the unconditional share of the revenue raised nationally and is being allocated in terms of Section 214 of the Constitution (Act 108 of 1996) to the municipality by the National Treasury.

23.2 Local Government Financial Management Grant

Opening balance

Grants received

Conditions met - Operating

Conditions still to be met

(14 464)

8 727

1 264 465

1 250 000

(1 250 000)

(1 273 191)

1

(14 464)

The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial reforms required by the Municipal Finance Management Act (MFMA), 2003. The FMG Grant also pays for the cost of the Financial Management Internship Programme (e.g. salary costs of the Financial Management Interns).

23.3 Municipal Systems Improvement Grant

Opening balance

Grants received

Conditions met - Operating

Conditions still to be met

(282 842)

(2 802)

1 500 000

1 720 000

(1 500 000)

(2 000 040)

(282 842)

(282 842)

The MSIG was used for building in-house capacity to perform municipal functions and stabilise institutional and governance systems.

23.4 Municipal Infrastructure Grant

Opening balance

Grants received

Conditions met - Operating

Conditions met - Capital

Grant expenditure to be recovered

(278 556)

(699 262)

11 517 000

9 494 000

(554 979)

(1 316 665)

(8 118 836)

(7 756 629)

2 564 629

(278 556)

The grant was used to upgrade infrastructure in previously disadvantaged areas.

23.5 Housing

Opening balance

Grants received

Conditions met - Operating

Conditions met - Capital

Written-off / Transfers

Grant expenditure to be recovered

(6 982 348)

2 087

13 964 000

6 984 435

-

-

-

(6 984 435)

-

-

(2 783)

(6 982 348)

Housing grants was utilised for the development of erven and the erection of top structures.

23.6 DME Side Demand Management Meters	2013 R	2012 R
Opening balance	2 577 449	2 842 837
Grants received	-	-
Conditions met - Operating	-	-
Conditions met - Capital	-	(265 388)
Conditions still to be met	<u>2 577 449</u>	<u>2 577 449</u>

The National Electrification Grant was used for energy efficiency to reduce electricity demand

23.7 Other Grants		
Opening balance	1 769 395	2 317 891
Grants received	19 634 172	2 365 000
Conditions met - Operating	(1 449 631)	(2 754 619)
Conditions met - Capital	(10 366 146)	(158 877)
Written-off / Transfers	-	-
VAT on grants recognised	-	-
Conditions still to be met	<u>9 587 790</u>	<u>1 769 395</u>

Various grants were received from other spheres of government (e.g. Library fund and Skills Development Grant)

23.8 Total Grants		
Opening balance	3 302 326	4 469 478
Grants received	66 868 637	40 843 435
Conditions met - Operating	(37 707 611)	(26 845 258)
Conditions met - Capital	(18 484 981)	(15 165 329)
Written-off / Transfers	-	-
VAT on grants recognised	-	-
Conditions still to be met/(Grant expenditure to be recovered)	<u>13 978 371</u>	<u>3 302 326</u>

Disclosed as follows:

Unspent Conditional Government Grants and Receipts	12 840 260	4 753 524
Unpaid Conditional Government Grants and Receipts	(1 115 893)	(1 451 198)
	<u>11 724 367</u>	<u>3 302 326</u>

24 SERVICE CHARGES

Electricity	31 023 905	27 509 725
Water	8 377 106	5 288 094
Refuse removal	4 639 068	4 184 444
Sewerage and Sanitation Charges	5 109 700	4 419 439
	<u>49 149 779</u>	<u>41 401 702</u>
Less: Rebates	(3 052 966)	(2 522 442)
Total Service Charges	<u>46 096 813</u>	<u>38 879 260</u>

Rebates can be defined as any income that the Municipality is entitled by law to levy, but which has subsequently been forgone by way of rebate or remission.

25	OTHER INCOME	2013 R	2012 R
	Advertising	193	1 100
	Building Plans	64 434	48 819
	Cemetery Fees	22 772	21 498
	Circuit breaker charges	8 277	2 219
	Clearance fees	18 287	18 123
	Contribution Electricity	-	-
	Enchroument Fees	16 066	1 436
	Insurance Claims	-	761 386
	Library Grant	1 028 000	956 000
	Other	101 092	4 177
	Photocopies	3 822	4 593
	Refrigeration	3 254	4 899
	Swimming pool fees	14 336	16 513
	Subdivision and Resoning	18 882	22 158
	Telephone recoveries	59 553	48 181
	Tender Document Fees	-	6 250
	Training Contribution	46 737	120 122
	Valuation Certificates	8 500	8 132
	VAT Recognition Grants	-	-
	Total Other Income	1 414 205	2 045 606

26	EMPLOYEE RELATED COSTS		
	Bargaining Council Levy	10 034	7 635
	Bonus	1 457 058	1 240 074
	Contributions for UIF, pensions and medical aids	3 818 453	3 691 781
	Housing Benefits and Allowances	79 513	95 218
	Provision for Leave	998 672	1 514 663
	Overtime	675 924	906 960
	Post Employment Health	235 193	259 108
	Salaries and Wages	18 870 886	18 933 093
	Travel, motor car, telephone, assistance and other allowances	2 757 275	2 730 832
		28 903 008	29 379 364
	Less: Employee Costs allocated elsewhere	-	-
	Total Employee Related Costs	28 903 008	29 379 364

KEY MANAGEMENT PERSONNEL

Municipal Manager is appointed on a 5-year fixed contract and all other Directors are permanent or acting. There are no post-employment or termination benefits payable to them at the end of the contract period.

REMUNERATION OF KEY MANAGEMENT PERSONNEL***Remuneration of the Municipal Manager***

Annual Remuneration	913 996	801 990
Performance Bonus	-	-
Other Allowances	115	11 600
Travelling Allowance	150 000	177 177
Subsistence Allowance	73 847	15 134
Total	1 137 958	1 005 901

Remuneration of the Head Financial Services

Annual Remuneration	961 440	847 868
Performance Bonus	-	-
Other Allowances	309	10 000
Travelling Allowance	84 000	80 900
Subsistence Allowance	35 757	4 834
Total	1 081 506	943 602

	2013 R	2012 R
Remuneration of the Director Community Services		
Annual Remuneration	-	
Other Allowances	-	
Car Allowance	-	
Total	-	-
Remuneration of the Director Technical Services		
Annual Remuneration		
Car Allowance		
Total	-	-
Remuneration of the Head Corporate Services		
Annual Remuneration		662 902
Performance Bonus		-
Other Allowances		10 024
Travelling Allowance		155 576
Subsistence Allowance		13 851
Total	-	842 352
27 REMUNERATION OF COUNCILLORS		
Remuneration of Councillors		
Mayor	567 090	545 685
Deputy Mayor	462 732	436 531
Speaker	396 856	466 531
Councillors	662 881	654 780
Councillors' Allowances	485 484	100 166
Total Councillors' Remuneration	2 575 042	2 203 693
In-kind Benefits		
The Mayor and Speaker are full-time Councillors. Each is provided with an office and shared secretarial support at the cost of the Municipality. The Mayor may utilise official Council transportation when engaged in official duties.		
28 DEBT IMPAIRMENT		
Trade Receivables from exchange transactions - Note 18	7 085 388	3 907 545
Trade Receivables from non-exchange transactions - Note 19	(2 534 998)	(331 914)
Total Contribution to Debt Impairment	4 550 390	3 575 631
29 DEPRECIATION AND AMORTISATION		
Property Plant and Equipment	7 583 462	9 268 817
Investment Property	42 534	49 376
Capitalised restoration costs	17 850	29 711
Intangible Assets	45 483	112 423
	7 689 329	9 460 327
30 IMPAIRMENTS		
Capitalised restoration costs	2 707	586
	2 707	586
31 FINANCE CHARGES		
Long-term Liabilities	1 378 545	1 358 521
Payables from exchange transactions	1 204 750	1 008 957
Balance as per previous financial statements		982 296
Correction of Error		26 661
Long service awards	65 742	64 349
Post Employment Health	468 052	464 476
Total finance charges	3 117 089	2 896 303
32 BULK PURCHASES		
Electricity	22 171 963	21 702 741
Balance as per previous financial statements		19 755 226
Correction of Error		1 947 515

Water	470 497	623 385
Total Bulk Purchases	22 642 460	22 326 126

	2013 R	2012 R
33 GENERAL EXPENSES		
Advertisement	61 349	196 641
Audit Fees	1 887 943	1 270 533
Bank Charges	160 818	148 649
Books, Magazines & Publication	8 899	7 212
Cash Shortages	-	-
Chemicals	230 840	270 139
Cleaning	73 625	50 819
Collaborator Licence	337 376	14 605
Commission - Vendors	162 628	93 319
Consultancy	-	15 000
Computer software licenses	144 095	67 988
Deeds registration fees	33 687	39 327
Delegation cost	-	-
Discretionary fund	-	229 714
Donations / upliftment	61 378	94 099
Employee Recruitment Expense	-	34 438
Entertainment	47 590	61 721
Fruitless and wasteful expenditure	12 260	736
Fuel and Oil	894 419	822 323
Insurance	312 875	298 642
Lease Payments	429 794	395 838
Legal Expenses	1 758 804	1 135 260
Local Economic Development	40	153 341
Licences	124 656	107 136
Landfill-sites	218 312	229 690
Material & Stores	329	10 248
Medical Expenses	10 700	17 340
Other	985 092	133 637
Pauper Burials	-	9 390
Postage	341 869	342 766
Printing and Stationary	363 136	287 739
Programs: NCR	337 392	301 442
Refreshments	50 413	24 046
Refuse Bags	112 862	121 569
SDBIP Expenses	14 570	-
Special projects: Youth	-	114 471
Strategic Sessions	438 100	1 700 430
Street lighting: Eskom	157 802	94 100
Study loans and bursaries	-	107 714
Subdivision costs	-	16 595
Subscriptions	687 701	488 802
Substance Abuse Study	-	175 439
Telephone	768 903	804 672
Test of Samples	63 125	27 500
Test Station Service	6 030	-
Toolbox Items	511	-
Tourism and other events	395 263	177 200
Training	55 739	55 015
Training Expenses	-	-
Travelling and Subsistence	931 372	694 343
Uniforms	65 414	5 890
Internal Charges	1 634 771	-
Internal Recoveries	-	-
General Expenses	14 382 482	11 447 518

		2013 R	2012 R
34	Loss on Derecognition of Assets		
	Loose assets not found during asset count		
	Cost	122 352	437 135
	Accumulated depreciation	(64 778)	(253 611)
	Proceeds of disposal		
	Net loss	<u>57 574</u>	<u>183 524</u>
	Infrastructure assets not found during asset count		
	Cost	2 163 972	-
	Accumulated depreciation	(392 737)	-
	Proceeds of disposal		
	Net loss	<u>1 771 235</u>	<u>-</u>
	Assets destroyed in fire at supply chain office		
	Cost	463 502	-
	Accumulated depreciation	(212 849)	-
	Proceeds of disposal		
	Net loss	<u>250 653</u>	<u>-</u>
	As per GRAP 17 the insurance claim received for the loss is shown under income		
	Total	2 079 463	183 524
35	CORRECTION OF ERROR / RECLASSIFICATION / CHANGE IN ACCOUNTING POLICY		
35.1	Detailed narratives of correction of error		
	General debtors corrections		
	?????		
	Correcting transaction	Debit	Credit
	Service Charges	-	2 896 202
	Receivables from exchange transactions	2 896 202	-
	<u>Bulk Electricity usage for June 2011</u>		
	The bulk electricity usage for one customer was only posted in July 2011		
	Correcting transaction	Debit	Credit
	Service Charges	-	-
	Receivables from exchange transactions	-	-
	<u>Correction CDW Grant</u>		
	Expenses were posted to normal expense votes and not claimed against the CDW grant		
	The revenue was not recognised in prior years		
	Correcting transaction	Debit	Credit
	Government Grants and Subsidies	-	-
	Accumulated Surplus/(Deficit)	-	-
	Unspent Conditional Government Grants and Receipts	-	-
	<u>Unused prepaid electricity</u>		
	The provision for unused prepaid electricity was posted to inventory and not payables		
	Correcting transaction	Debit	Credit
	Service Charges	-	-
	Inventory	-	-
	Bulk purchases	-	-
	Payables	-	-

Electricity consumables transferred

The electrical consumable store was combined with water consumable store to create one general store

Correcting transaction	Debit	Credit
Inventory		-
Accumulated Surplus/(Deficit)		-

Adjustment to landfill provision

Due to an incorrect estimation of the estimated life times of the landfill sites an adjustment was made

Correcting transaction	Debit	Credit
Non-Current Provisions		-
Accumulated Surplus/(Deficit)		-
Capitalised restoration costs		-
Depreciation and Amortisation		-
Impairments		-
Finance Charges		-

Adjustment to short-term portion of landfill provision

Some of the landfill sites have reached the end of their usefull lives and have been transferred to short term

Correcting transaction	Debit	Credit
Non-Current Provisions		-
Provisions		-

Actuarial report adjustments

There was a small change between the draft and final report of the actuaries

Correcting transaction	Debit	Credit
Employee related costs		-
Actuarial losses		-

Vat not claimed

Input VAT was not claimed on certain transactions

Correcting transaction	Debit	Credit
Taxes		-
General Expenses		-
Repairs and maintenance		-

Penalty and interest on late payment of VAT

The municipality made certain VAT payment late

Correcting transaction	Debit	Credit
Taxes		-
Finance Charges		-

Sewerage raised at wrong tariffs

Sewerage for businesses were raised on residential tariffs

Correcting transaction	Debit	Credit
Service Charges		-
Accumulated Surplus/(Deficit)		-
Receivables from exchange transactions		-

Estimate of traffic fines

Estimate of traffic fines outstanding at 30 June 2011 that will be paid

Correcting transaction	Debit	Credit
Fines	-	-
Receivables from non-exchange transactions	-	-

Output VAT raised on traffic fines

Output VAT was incorrectly raised on traffic fines

Correcting transaction	Debit	Credit
Fines	-	-
Taxes	-	-

Grant expenditure incorrectly capitalised

Fees paid for an awareness campaign was incorrectly capitalised

Correcting transaction	Debit	Credit
Property, Plant and Equipment	-	-
Operating Grant Expenditure	-	-

Impairment on land used for housing project

Land was used for housing project and municipality only own remainder

Correcting transaction	Debit	Credit
Accumulated Surplus/(Deficit)	-	-
Property, Plant and Equipment	-	-

Service charges raised in wrong period

Services charges relating to the 2010 financial year were raised in the 2011 financial year

Correcting transaction	Debit	Credit
Accumulated Surplus/(Deficit)	-	-
Service Charges	-	-

Grant expenditure not recoverable

Expenditure incurred on grant not recoverable from grant provider expensed

Correcting transaction	Debit	Credit
Accumulated Surplus/(Deficit)	-	-
Unpaid Conditional Government Grants and Receipts	-	-

Land incorrectly included in asset register

Land not owned by the municipality incorrectly included in the asset register

Correcting transaction	Debit	Credit
Accumulated Surplus/(Deficit)	-	-
Property, Plant and Equipment	-	-

Grant expenditure expensed on old grants

Expenses written off on old grants without reporting requirements

Correcting transaction	Debit	Credit
Accumulated Surplus/(Deficit)	-	-
Unspent Conditional Government Grants and Receipts	-	-

Grant income recognised on old grants

Income recognised on old grants without reporting requirements

Correcting transaction	Debit	Credit
Accumulated Surplus/(Deficit)	-	-
Unspent Conditional Government Grants and Receipts	-	-

Fines and penalties on PAYE,SDL and UIF

Fines and penalties on late payment of PAYE, SDL and UIF

Correcting transaction	Debit	Credit
Accumulated Surplus/(Deficit)	-	-
Finance Charges	-	-
Payables	-	-

Incorrect Charges for Sewerage

Incorrect charges levied for sewerage

Correcting transaction	Debit	Credit
Service Charges	-	-
Receivables from exchange transactions	-	-

Tariff correction in wrong period

Customer were charged wrong tariff in 2010 financial year, corrected in 2011 financial year

Correcting transaction	Debit	Credit
Service Charges	-	-
Accumulated Surplus/(Deficit)	-	-

Correction of VAT on Impairment of Trade Receivables

There was no provision made for VAT on long outstanding debtors.

Correcting transaction	Debit	Credit
Accumulated Surplus/(Deficit)	-	-
Taxes	-	-
Debt Impairment	-	-

Provision for bad debts on output vat for 2010 and 2011 duplicated

The prior correction for output VAT provision on bad debts included both 2010 and 2011 which was corrected in 2011 financial statements

Correcting transaction

Accumulated Surplus/(Deficit)	-	-
Taxes	-	-
Debt Impairment	-	-

Property not in name of municipality removed

During the comparison of the deed search with the land and buildings as per fixed asset register, property in the fixed asset register was found that was not in the name of the municipality

Correcting transaction

Accumulated Surplus/(Deficit)	-	-
Property, Plant and Equipment	-	-

Property not previously recognised

During the comparison of the deed search with the land and buildings as per fixed asset register property in the fixed asset register was found on the deed search in the name of the municipality that was not on the asset register

Correcting transaction

Accumulated Surplus/(Deficit)	-	-
Property, Plant and Equipment	-	-

Loose assets not previously recognised

Loose assets were found during the asset count that was previously not recognised

Correcting transaction

Accumulated Surplus/(Deficit)	-	-
Property, Plant and Equipment	-	-

Demand side project moved to repairs and maintenance

Due to inability to determine the accurate cost of the project the assets were expensed

Correcting transaction

Accumulated Surplus/(Deficit)	-	-
Property, Plant and Equipment	-	-
Repairs and maintenance	-	-

Demand side creditor reversed

A creditor that was unpaid as at 30 June 2012 and raised a credit note for invoices issued during the 2010/2011 year was reversed

Correcting transaction

Property, Plant and Equipment	-	-
Payables	-	-

Impairment should have been written off

Assets missing from the asset count was impaired in 2011. The assets should have been derecognised

Correcting transaction

Loss on Derecognition of Assets	183 525	-
Property, Plant and Equipment	-	-

Depreciation recalculated

Due to errors noted during audit, the entire depreciation for current and prior years were recalculated

Correcting transaction

Accumulated Surplus/(Deficit)		18 805 120
Property, Plant and Equipment	-	-
Investment Property	-	-
Intangible Assets	-	-
Depreciation and Amortisation	-	-

Correction on service charges adjusted in wrong period

Corrections on debtors accounts made in the 2012 year should have been made in the 2011 year

Correcting transaction

Service Charges	18 384	
Receivables from exchange transactions	-	-

Payments in advance included in age analysis not in general ledger

Difference between general ledger payments in advance and age analysis

Correcting transaction

Payables	-	-
Receivables from exchange transactions	-	-

Payments posted on cash book not actually paid

Payments showing on cash book as paid, but actual payment only made after year end

Correcting transaction

Payables	-	-
Cash and Cash Equivalents	-	-

Investment property incorrectly classified

Investment property incorrectly shown as property plant and equipment

Correcting transaction

Property, Plant and Equipment	-	-
Investment Property	-	-

	Type	2012 R	2011 R
35.2 <u>Accumulated Surplus/(Deficit)</u>			
Balance as per previous financial statements		184 321 487	179 115 398
Correction CDW Grant	Correction of error	-	-
Electricity consumables transferred	Correction of error	-	-
Adjustment to landfill provision	Correction of error	-	-
Impairment on land used for housing project	Correction of error	-	-
Service charges raised in wrong period	Correction of error	-	-
Sewerage raised at wrong tariffs	Correction of error	-	-
Grant expenditure not recoverable	Correction of error	-	-
Land incorrectly included in asset register	Correction of error	-	-
Grant expenditure expensed on old grants	Correction of error	-	-
Grant income recognised on old grants	Correction of error	-	-
Fines and penalties on PAYE,SDL and UIF	Correction of error	-	-
Tariff correction in wrong period	Correction of error	-	-
Correction of allocation between grant income and expenses	Correction of error	-	-
Correction of VAT on Impairment of Trade Receivables	Correction of error	-	-
Provision for bad debts on output vat for 2010 and 2011 duplicated	Correction of error	-	-
Property not in name of municipality removed	Correction of error	-	-
Loose assets not previously recognised	Correction of error	-	-
Property not previously recognised	Correction of error	-	-
Demand side project moved to repairs and maintenance	Correction of error	-	-
Depreciation recalculated	Correction of error	-	-
Depreciation recalculated	Correction of error	-	-
Movement in statement of financial performance	Correction of error	2 896 202	-
Restated balance		187 217 689	179 115 398
35.3 <u>Non-Current Provisions</u>			
Balance as per previous financial statements		1 934 100	1 701 771
Adjustment to landfill provision	Correction of error	-	-
Adjustment to landfill provision	Correction of error	-	-
Adjustment to short-term portion of landfill provision	Correction of error	-	-
Restated balance		1 934 100	1 701 771
35.4 <u>Provisions</u>			
Balance as per previous financial statements		2 889 390	2 892 029
Adjustment to short-term portion of landfill provision	Correction of error	-	-
Restated balance		2 889 390	2 892 029
35.5 <u>Payables</u>			
Balance as per previous financial statements		22 020 731	11 306 480
Unused prepaid electricity	Correction of error	-	-
Demand side creditor reversed	Correction of error	-	-
Fines and penalties on PAYE,SDL and UIF	Correction of error	-	-
Fines and penalties on PAYE,SDL and UIF	Correction of error	-	-
Payments in advance included in age analysis not in general ledger	Correction of error	-	-
Payments posted on cash book not actually paid	Correction of error	-	-
Ladsmith Traffic Bank Account transferred to payables	Reclassification	-	-
Sundry debtors shown as payables	Reclassification	-	-
Restated balance		22 020 731	11 306 480
35.6 <u>Unspent Conditional Government Grants and Receipts</u>			
Balance as per previous financial statements		4 753 525	5 171 543
Correction CDW Grant	Correction of error	-	-
Correction CDW Grant	Correction of error	-	-
Grant expenditure expensed on old grants	Correction of error	-	-
Grant income recognised on old grants	Correction of error	-	-
Restated balance		4 753 525	5 171 543

		2012 R	2011 R
35.7	<u>Taxes</u>		
	Balance as per previous financial statements	-	-
	Penalty and interest on late payment of VAT	-	-
	VAT not claimed	-	-
	Output VAT raised on traffic fines	-	-
	Correction of VAT on Impairment of Trade Receivables	-	-
	Correction of VAT on Impairment of Trade Receivables	-	-
	Provision for bad debts on output vat for 2010 and 2011 duplicated	-	-
	Provision for bad debts on output vat for 2010 and 2011 duplicated	-	-
	Restated balance	-	-
35.8	<u>Property, Plant and Equipment</u>		
	Balance as per previous financial statements	219 587 513	213 222 343
	Grant expenditure incorrectly capitalised	-	-
	Impairment on land used for housing project	-	-
	Land incorrectly included in asset register	-	-
	Property not in name of municipality removed	-	-
	Loose assets not previously recognised	-	-
	Property not previously recognised	-	-
	Demand side project moved to repairs and maintenance	-	-
	Demand side project moved to repairs and maintenance	-	-
	Demand side creditor reversed	-	-
	Investment property incorrectly classified	-	-
	Impairment should have been written off	-	-
	Depreciation recalculated	-	-
	Depreciation recalculated	-	-
	Restated balance	219 587 513	213 222 343
35.9	<u>Investment Property</u>		
	Balance as per previous financial statements	1 599 059	1 648 435
	Investment property incorrectly classified	-	-
	Depreciation recalculated	-	-
	Depreciation recalculated	-	-
	Restated balance	1 599 059	1 648 435
35.10	<u>Intangible Assets</u>		
	Balance as per previous financial statements	308 856	394 467
	Depreciation recalculated	-	-
	Depreciation recalculated	-	-
	Restated balance	308 856	394 467
35.11	<u>Capitalised restoration costs</u>		
	Balance as per previous financial statements	88 545	118 842
	Adjustment to landfill provision	-	-
	Restated balance	88 545	118 842
35.12	<u>Inventory</u>		
	Balance as per previous financial statements	842 220	741 431
	Unused prepaid electricity	-	-
	Electricity consumables transferred	-	-
	Restated balance	842 220	741 431

		2012 R	2011 R
35.13	<u>Receivables from exchange transactions</u>		
	Balance as per previous financial statements	4 911 427	3 810 877
	General debtors corrections	2 896 202	-
	Bulk Electricity usage for June 2011	-	-
	Sewerage raised at wrong tariffs	-	-
	Sewerage raised at wrong tariffs	-	-
	Incorrect Charges for Sewerage	-	-
	Payments in advance included in age analysis not in general ledger	-	-
	Correction on service charges adjusted in wrong period	-	-
	Restated balance	<u>7 807 629</u>	<u>3 810 877</u>
35.14	<u>Receivables from non-exchange transactions</u>		
	Balance as per previous financial statements	2 802 696	1 013 640
	Sundry debtors shown as payables	-	-
	Estimate of traffic fines	-	-
	Restated balance	<u>2 802 696</u>	<u>1 013 640</u>
35.15	<u>Cash and Cash Equivalents</u>		
	Balance as per previous financial statements	1 462 760	1 464 650
	Payments posted on cash book not actually paid	-	-
	Ladismith Traffic bank account transferred to paybles	-	-
	Restated balance	<u>1 462 760</u>	<u>1 464 650</u>
35.16	<u>Unpaid Conditional Government Grants and Receipts</u>		
	Balance as per previous financial statements	1 451 198	702 064
	Grant expenditure not recoverable	-	-
	Restated balance	<u>1 451 198</u>	<u>702 064</u>
	<u>Statement of financial performance</u>		
35.17	<u>Service Charges</u>	2012 R	
	Balance as per previous financial statements	35 983 058	
	General debtors corrections	2 896 202	
	Bulk Electricity usage for June 2011	-	
	Unused prepaid electricity	-	
	Sewerage raised at wrong tariffs	-	
	Service charges raised in wrong period	-	
	Incorrect Charges for Sewerage	-	
	Tariff correction in wrong period	-	
	Correction on service charges adjusted in wrong period	-	
	Restated balance	<u>38 879 260</u>	
35.18	<u>Government Grants and Subsidies - Operating</u>		
	Balance as per previous financial statements	25 650 751	
	Correction CDW Grant	-	
	Correction of allocation between grant income and expenses	-	
	Restated balance	<u>25 650 751</u>	
35.19	<u>Fines</u>		
	Balance as per previous financial statements	1 051 300	
	Estimate of traffic fines	-	
	Output VAT raised on traffic fines	-	
	Restated balance	<u>1 051 300</u>	

		2012 R
35.20	<u>Employee related costs</u>	
	Balance as per previous financial statements	29 379 364
	Provision for staff leave included in operating grant expenditure	
	Actuarial report adjustments	Reclassification Correction of error
	Restated balance	- 29 379 364
35.21	<u>Debt Impairment</u>	
	Balance as per previous financial statements	3 907 545
	Correction of VAT on Impairment of Trade Receivables	Correction of error
	Provision for bad debts on output vat for 2010 and 2011 duplicated	Correction of error
	Restated balance	- 3 907 545
35.22	<u>Depreciation and Amortisation</u>	
	Balance as per previous financial statements	9 364 077
	Incorrect classification depreciation / grant expenditure	Correction of error
	Depreciation recalculated	Correction of error
	Adjustment to landfill provision	Correction of error
	Restated balance	- 9 364 077
35.23	<u>Impairments</u>	
	Balance as per previous financial statements	586
	Adjustment to landfill provision	Correction of error
	Restated balance	- 586
35.24	<u>Repairs and maintenance</u>	
	Balance as per previous financial statements	1 779 701
	VAT not claimed	Correction of error
	Demand side project moved to repairs and maintenance	Correction of error
	Provision for staff leave included in operating grant expenditure	
	Restated balance	- 1 779 701
35.25	<u>Actuarial losses</u>	
	Balance as per previous financial statements	46 136
	Actuarial report adjustments	Correction of error
	Restated balance	- 46 136
35.26	<u>Finance Charges</u>	
	Balance as per previous financial statements	2 862 970
	Adjustment to landfill provision	Correction of error
	Penalty and interest on late payment of VAT	Correction of error
	Fines and penalties on PAYE,SDL and UIF	Correction of error
	Restated balance	- 2 862 970
35.27	<u>Operating Grant Expenditure</u>	
	Balance as per previous financial statements	9 368 877
	Correction of allocation between grant income and expenses	Correction of error
	Incorrect classification depreciation / grant expenditure	Correction of error
	Grant expenditure incorrectly capitalised	Correction of error
	Provision for staff leave included in operating grant expenditure	Reclassification
	Restated balance	- 9 368 877

35.28	<u>General Expenses</u>	2012	
		R	
	Balance as per previous financial statements	11 549 158	
	VAT not claimed		Correction of error
			-
	Restated balance	<u>11 549 158</u>	
35.29	<u>Bulk Purchases</u>		
	Balance as per previous financial statements	20 378 611	
	Unused prepaid electricity		Correction of error
			-
	Restated balance	<u>20 378 611</u>	
35.30	<u>Loss on Derecognition of Assets</u>		
	Balance as per previous financial statements	2 079 463	
	Impairment should have been written off		Correction of error
			-
	Restated balance	<u>2 079 463</u>	

36	RECONCILIATION BETWEEN NET SURPLUS/(DEFICIT) FOR THE YEAR AND CASH GENERATED/(ABSORBED) BY OPERATIONS	2013	2012
		R	R
	Surplus/(Deficit) for the year	8 490 881	6 126 836
	<u>Adjustments for:</u>		
	Movement in accumulated surplus due to correction of error	-	-
	Depreciation	7 643 846	9 347 904
	Amortisation of Intangible Assets	45 483	112 423
	Debt Impairment	7 085 388	3 907 545
	Contribution from/to employee benefits	1 351 128	2 113 394
	Impairment written off	2 707	586
	Operating lease income accrued	-	5 500
	Operating lease expenses accrued	7 993	15 056
	Operating Surplus/(Deficit) before changes in working capital	24 627 426	21 629 243
	Changes in working capital	4 091 702	1 066 384
	Increase/(Decrease) in Trade and Other Payables	12 126 745	12 881 084
	Increase/(Decrease) in Provisions	218 312	229 690
	Increase/(Decrease) in Unspent Conditional Government Grants and Receipts	8 086 736	(418 019)
	Increase/(Decrease) in Taxes	(3 124 449)	(891 719)
	(Increase)/Decrease in Inventory	(37 476)	(100 789)
	(Increase)/Decrease in Trade and other receivables	(13 513 471)	(9 884 729)
	(Increase)/Decrease in Unpaid Conditional Government Grants and Receipts	335 305	(749 134)
	Cash generated/(absorbed) by operations	<u>28 719 128</u>	<u>22 695 627</u>
37	CASH AND CASH EQUIVALENTS		
	Cash and cash equivalents included in the cash flow statement comprise the following:		
	Call Investments Deposits - Note 21	6 100 827	1 459 460
	Cash Floats - Note 21	3 300	3 300
	Bank - Note 21	3 302 042	-
	Bank overdraft - Note 21	-	(856 424)
	Total cash and cash equivalents	<u>9 406 169</u>	<u>606 336</u>

				2013 R	2012 R
38	RECONCILIATION OF AVAILABLE CASH AND INVESTMENT RESOURCES				
	Cash and Cash Equivalents - Note 37			9 406 169	606 336
	Investments - Note 15			4 043 791	3 564 511
				13 449 960	4 170 847
	Less:			12 840 260	4 753 524
	Unspent Committed Conditional Grants - Note 9			12 840 260	4 753 524
	VAT - Note 10			-	-
	Resources available for working capital requirements			609 700	(582 677)
	Allocated to:				
	Repayment of long-term liabilities			-	-
	Resources available for working capital requirements			609 700	(582 677)
				2013 R	2012 R
39	UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION				
	Long-term Liabilities - Note 2			11 307 504	10 218 934
	Used to finance property, plant and equipment - at cost			(11 307 504)	(10 218 934)
				-	-
	Cash set aside for the repayment of long-term liabilities			4 043 791	3 564 511
	Cash invested for repayment of long-term liabilities			4 043 791	3 564 511
	Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act.				
40	BUDGET COMPARISONS				
		2013 R (Actual)	2013 R (Budget)	2013 R (Variance)	2013 (%)
40.1	Operational				
	Revenue by source				
	Property taxes	8 867 886	8 975 590	(107 704)	-1.20%
	Government Grants and Subsidies - Capital	18 484 981	18 484 981	-	0.00%
	Government Grants and Subsidies - Operating	37 707 611	35 559 274	2 148 337	6.04%
	Public Contributions and Donations	45 000	10 000	35 000	350.00%
	Fines	604 508	1 521 240	(916 732)	-60.26%
	Service Charges	46 096 813	50 455 860	(4 359 047)	-8.64%
	Rental of Facilities and Equipment	245 186	269 880	(24 694)	-9.15%
	Interest Earned - external investments	997 115	255 530	741 585	290.21%
	Interest Earned - outstanding debtors	1 621 573	625 000	996 573	159.45%
	Licences and Permits	109 513	152 630	(43 117)	-28.25%
	Income for Agency Services	585 053	544 260	40 793	7.50%
	Other Income	1 414 205	1 565 097	(150 892)	-9.64%
	Debt Impairment	2 534 998	-	2 534 998	100.00%
	Gain on disposal of Property, Plant and Equipment	-	-	-	0.00%
		119 314 442	118 419 342	895 100	0.76%
	Expenditure by nature				
	Employee Related Costs	28 903 008	28 189 272	(713 736)	2.53%
	Collection costs	-	-	-	0.00%
	Remuneration of Councillors	2 575 042	2 446 040	(129 002)	5.27%
	Debt Impairment	7 085 388	2 731 250	(4 354 138)	159.42%
	Depreciation and Amortisation	7 689 329	8 334 960	(645 631)	-7.75%
	Impairments	2 707	-	(2 707)	-100.00%
	Repairs and Maintenance	1 807 884	4 465 335	(2 657 451)	-59.51%
	Actuarial losses	-	-	-	0.00%
	Stock Adjustments	1	-	(1)	-100.00%
	Finance Charges	3 117 089	1 244 570	(1 872 519)	150.46%
	Unamortised Discount - Interest Paid	-	-	-	0.00%
	Bulk Purchases	22 642 460	22 213 860	(428 600)	1.93%
	Contracted Services	4 411 839	4 341 168	(70 671)	1.63%
	Operating Grant Expenditure	18 738 191	-	(18 738 191)	-100.00%
	General Expenses	14 382 482	12 467 620	(1 914 862)	15.36%
	Loss on disposal of Property, Plant and Equipment	-	-	-	0.00%
	Fair Value Adjustments	-	-	-	0.00%
		111 355 420	86 434 075	(24 921 345)	28.83%
	Net Surplus for the year	7 959 022	31 985 267	(24 026 245)	-75.12%

	2013 R (Actual)	2013 R (Budget)	2013 R (Variance)	2013 (%)
40.2 Operational Budget by Standard Classification				
Revenue - Standard				
Governance and Administration				
Executive and council	17 524 113	20 663 255	3 139 142	-15.19%
Budget and Treasury Office	1 175 705	3 154 060	1 978 356	-62.72%
Corporate Services	19 461 155	13 357 000	(6 104 155)	45.70%
Community and Public Safety				
Community and Social Services	1 349 484	12 464 760	11 115 276	-89.17%
Sport and Recreation	14 336	15 750	1 414	-8.98%
Public Safety	1 294 068	2 212 070	918 002	-41.50%
Housing	-	-	-	0.00%
Health	-	-	-	0.00%
Economic and Environmental Services				
Planning and Development	575 800	-	(575 800)	-100.00%
Road Transport	1 935 674	37 000	(1 898 674)	5131.55%
Environmental Protection	-	-	-	0.00%
Trading Services				
Electricity	38 563 092	38 384 287	(178 805)	0.47%
Water	13 302 350	10 274 870	(3 027 480)	29.46%
Waste Water Management	12 179 988	9 247 770	(2 932 218)	31.71%
Waste Management	6 544 991	8 727 860	2 182 869	-25.01%
Other				
Airport	(1)	-	1	-100.00%
Total Revenue	113 920 755	118 538 682	4 617 927	-3.90%
Expenditure - Standard				
Governance and Administration				
Executive and council	28 137 329	25 861 392	(2 275 937)	8.80%
Budget and Treasury Office	18 167 569	13 241 609	(4 925 960)	37.20%
Corporate Services	9 540 167	7 088 600	(2 451 567)	34.58%
Community and Public Safety				
Community and Social Services	5 593 960	7 972 122	2 378 162	-29.83%
Sport and Recreation	420 020	858 588	438 568	-51.08%
Public Safety	2 021 440	1 902 719	(118 721)	6.24%
Economic and Environmental Services				
Planning and Development	535 581	-	(535 581)	-100.00%
Road Transport	(1 935 674)	37 000	1 972 674	-5331.55%
Trading Services				
Electricity	27 778 240	26 509 504	(1 268 736)	4.79%
Water	3 814 506	6 996 720	3 182 214	-45.48%
Waste Water Management	4 858 827	4 582 884	(275 943)	6.02%
Waste Management	3 388 324	2 609 026	(779 298)	29.87%
Other				
Airport	(1)	-	1	-100.00%
Total Expenditure	102 320 290	97 660 164	(4 660 126)	4.77%
Surplus/(Deficit) for the year	11 600 466	20 878 518	9 278 052	-44.44%

	2013 R (Actual)	2013 R (Budget)	2013 R (Variance)	2013 (%)
40.3 Capital expenditure by vote				
Expenditure - Standard				
Governance and Administration				
Executive and council	11 119	10 920	(199)	1.82%
Budget and Treasury Office	28 112	250 000	221 888	-88.76%
Corporate Services	66 086	333 200	267 114	-80.17%
Community and Public Safety		-		
Community and Social Services	10 800	-	(10 800)	-100.00%
Sport and Recreation	238 173	250 000	11 827	-4.73%
Public Safety	7 705	-	(7 705)	-100.00%
Housing	-	-	-	0.00%
Health	-	-	-	0.00%
Economic and Environmental Services		-		
Planning and Development	-	-	-	0.00%
Road Transport	5 017 125	5 274 000	256 875	-4.87%
Environmental Protection	-	-	-	0.00%
Trading Services		-		
Electricity	5 334 346	5 015 417	(318 929)	6.36%
Water	80 000	10 000	(70 000)	700.00%
Waste Water Management	673 185	-	(673 185)	-100.00%
Waste Management	-	-	-	0.00%
Other				
Airport	-	-	-	0.00%
	-	-	-	-
Total Expenditure	11 466 651	11 143 537	(323 114)	(0.03)

41 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED

41.1 Unauthorised expenditure

Reconciliation of unauthorised expenditure:

Opening balance	19 614 967	-
Unauthorised expenditure current year - capital	1 080 818	6 121 505
Unauthorised expenditure current year - operating	12 631 744	13 493 462
Unauthorised expenditure awaiting authorisation	33 327 529	19 614 967

Unauthorised expenditure on operating votes is mainly due to provisional amounts recognised for depreciation and amortisation

Incident	Disciplinary steps/criminal proceedings
Over expenditure on votes	None

41.2 Fruitless and wasteful expenditure

Reconciliation of fruitless and wasteful expenditure:

Opening balance	3 028 737	2 475 979
Fruitless and wasteful expenditure current year	852 541	552 758
Fruitless and wasteful expenditure awaiting further action	3 881 278	3 028 737

Fruitless and wasteful expenditure consists of:

Fruitless and Wasteful Expenditure - Finance Cost on ABSA Loan	1 175 518	1 175 518
A claim arose from the appointment of Tuiniqua Consulting Engineers for the design	301 575	301 575
Fruitless and Wasteful Expenditure - Finance Cost and Penalties on VAT, PAYE and UIF	1 805 201	1 444 665
Expenses for SCOPA investigations	19 129	19 129
Interest on late payment of creditors	361 127	87 850
Interest on Compensation Fund	218 728	-
	3 881 278	3 028 737

Incident	Disciplinary steps/criminal proceedings
Interest and penalties on SARS payments	Under investigation
Interest on late payment of creditors	Under investigation

	2013 R	2012 R
41.3 Irregular expenditure		
Reconciliation of irregular expenditure:		
Opening balance	-	-
Irregular expenditure current year	1 966 283	-
Irregular expenditure awaiting further action	1 966 283	-

Irregular expenditure consists of:

Award made to person in service of state	100 000	-
Suppliers not on prospective supplier listing	1 061 138	-
Validity of deviations	265 105	-
No Tax Clearance Certificates	126 547	-
No conflict of interest completed by supplier	102 108	-
No specifications committee	311 386	-
	1 966 283	-

Incident	Disciplinary steps/criminal proceedings
<i>Award made to person in service of state</i>	<i>Under investigation</i>
<i>Suppliers not on prospective supplier listing</i>	<i>Under investigation</i>
<i>Validity of deviations</i>	<i>Under investigation</i>
<i>No Tax Clearance Certificates</i>	<i>Under investigation</i>
<i>No conflict of interest completed by supplier</i>	<i>Under investigation</i>
<i>No specifications committee</i>	<i>Under investigation</i>

41.4 Material Losses**Water distribution losses**

Due to lack of information it was not possible to determine the water distribution losses

The municipality lost revenue and also failed to quantify the water losses on the Zoar region as a result of inadequate meter management

Distribution loss (Rand Value) 9 891 579

Electricity distribution losses

- Units purchased (Kwh)	33 405 156	31 158 112
- Units lost during distribution (Kwh)	6 505 358	5 707 292
- Percentage lost during distribution	19.47%	18.32%
Distribution loss (Rand Value)	5 204 286	3 810 203

Water distribution losses

- Units purchased (Kwh)	1 271 621
- Units lost during distribution (Kwh)	281 106
- Percentage lost during distribution	22%
Distribution loss (Rand Value)	1 616 360

41.5 Supply chain deviations

Emergency	401 598	248 708
Sole supplier	1 085 649	420 567
Impractical to follow procedures	12 580	942 489
Other	1 513 730	-
Total	3 013 557	1 611 764

42 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT**42.1 Contributions to organised local government - [MFMA 125 (1)(c)] - SALGA CONTRIBUTIONS**

Opening balance	0	29 265
Council subscriptions	466 409	123 134
Amount paid - current year	-	(152 399)
Balance unpaid (included in creditors)	466 410	0

42.2 Audit fees - [MFMA 125 (1)(c)]

Opening balance		-
Audit fees	1 285 864	1 200 589
Amount paid - current year	(210 731)	1 200 589
Balance unpaid (included in creditors)	1 075 133	-
	2013	2012
	R	R
42.3 VAT - [MFMA 125 (1)(c)]		
Opening balance	544 103	517 370
VAT refunds claimed from SARS	1 208 010	1 721 721
VAT due to SARS	(418 387)	(560 294)
Paid	673 896	668 874
Received	(1 631 034)	(1 750 775)
Penalties and interest	(60 839)	(52 792)
Closing balance - Receivable	315 750	544 103
Vat in suspense due to cash basis of accounting		
Input VAT	(10 280 508)	(821 528)
Output VAT	8 953 126	4 834 726
Receivable	(1 327 382)	4 013 198
VAT is payable/receivable on the cash basis. VAT is only paid over to SARS once cash is received from debtors and only claimed from SARS once payment is made to creditors.		
42.4 PAYE, SDL and UIF - [MFMA 125 (1)(c)]		
Opening balance	2 670 481	2 354 896
Current year payroll deductions and Council Contributions	4 104 199	3 692 593
Amount paid - current year	(4 114 064)	(3 377 008)
Balance unpaid (included in creditors)	2 660 616	2 670 481
42.5 Pension and Medical Aid Deductions - [MFMA 125 (1)(c)]		
Opening balance	17 984	302 270
Current year payroll deductions and Council Contributions	5 488 022	5 128 901
Amount paid - current year	(5 486 492)	(5 413 186)
Balance unpaid (included in creditors)	19 514	17 984
	2013	2012
	R	R
42.6 Councillor's arrear consumer accounts - [MFMA 124 (1)(b)]		
The following Councillors had arrear accounts for more than 90 days as at 30 June 2013:		
	Outstanding more than 90 days	Outstanding more than 90 days
Councillor ML Claasen	-	5 564
Total Councillor Arrear Consumer Accounts	-	5 564
42.7 Other non-compliance (MFMA 125(2)(e))		

Section of MFMA	Short Description of Requirement	Measure of compliance	Compliance	Comment or reasons for non compliance
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Sect 52	<p>a) must provide general political guidance over the fiscal and financial affairs of the municipality;</p> <p>b) may monitor and oversee the exercise of responsibilities of the accounting officer and the chief financial officer</p> <p>c) must take all reasonable steps to ensure that the municipality performs its constitutional and statutory functions within the limits of the municipality's approved budget;</p> <p>d) must, within 30 days of the end of each quarter, submit a report to the council on the implementation of the budget and the financial state of affairs of the municipality;</p> <p>e) must exercise the other powers and perform the other duties assigned to the mayor in terms of this Act or delegated by the council to the mayor.</p>	Did the mayor comply with the requirements?	No	Kannaland did not comply with section 52 of the MFMA for the first 3 quarters of the 2011/12 financial year. Corrective measures were taken and this particular report was submitted for the 4th quarter. Lack of capacity within the financial department stays a problem. Not enough personnel in the budget and treasury office.
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42.7 Other non-compliance (MFMA 125(2)(e))

Section of MFMA	Short Description of Requirement	Measure of compliance	Compliance	Comment or reasons for non compliance
Sect 53	<p>a) provide general political guidance over the budget process and the priorities that must guide the preparation of a budget;</p> <p>b) co-ordinate the annual revision of the IDP and the preparation of the annual budget</p> <p>c) take all reasonable steps to ensure</p> <p>i) that the municipality approves its annual budget before the start of the budget year;</p> <p>ii) that the municipality's SDBIP is approved by the mayor within 28 days after the approval of the budget; and</p> <p>iii) that the annual performance agreements for the municipal manager and all senior managers comply with requirements</p> <p>2) The mayor must promptly report to council and the MEC for finance any delay in a (i)-(iii).</p> <p>3) a) the revenue and expenditure projections for each month and the service delivery targets and performance indicators for each quarter, as set out in the SDBIP, are made public 14 days after the approval of the SDBIP b) that the performance agreements of officials as may be prescribed, are made public 14 days after the approval of the municipality's SDBIP. Performance agreements must be submitted council and the MEC for local government</p>	Did the mayor comply with the requirements	No	Due to lack of capacity the SDBIP function was outsourced and vendor was appointed. Process was disrupted by changes in Senior Management. CFO and Accounting officer were appointed in September and October respectively.
Sect 54	<p>1) On receipt of report terms of section 71 or 72, the mayor must-</p> <p>a) consider the statement or report; b) check whether the municipality's approved budget is implemented in accordance with the SDBIP</p> <p>c) consider and, if necessary, make any revisions to the SDBIP,</p> <p>d) issue any appropriate instructions to the accounting officer to ensure compliance with SDBIP</p> <p>e) identify any financial problems facing the municipality</p> <p>f) in the case of a section 72 report, submit the report to the council by 31 January of each year.</p> <p>2) If the municipality faces any serious financial problems, the mayor must-</p> <p>a) promptly respond to and initiate any remedial or corrective steps proposed by the accounting officer to deal with such problems</p> <p>b) alert the council and the MEC for local government in the province to those problems.</p> <p>3) The mayor must ensure that any revisions of the service delivery and budget implementation plan are made public promptly.</p>	Did the mayor comply with the requirements?	No	All section 71's and section 72 reports were submitted to National and Provincial Treasury. SDBIP and delay in the appointment in Senior Management led to the fact that all reports were not submitted to council.

Sect 62 (1) (a)	The resources of the municipality were used effectively, efficiently and economically	Were the resources used effectively?	No	Lack of resources
Sect 62 (1) (c) (i)	Financial management and internal controls	Was controls in place?	No	Corrective measures takes time and even though steps were taken not
Sect 62 (1) (c) (ii)	Internal audit operating in accordance with any prescribed norms and standards	Did internal audit comply?	No	Internal auditors were appointed but was only an effective function nearing the end of the period under review
Sect 62 (1) (e)	Accounting officer to prevent irregular and fruitless and wasteful expenditure.	Did the Accounting officer implement preventative measures ?	No	Fire in the SCM during August 2011 will inevitably lead to irregular expenditure due to lack of supporting documents
Sec 63	Accounting officer to ensure the safeguarding and maintenance of assets and liabilities.	Did the Accounting officer comply?	No	Not sufficient provision for R & M. Currently financial situation has a negative influence

42.7 Other non-compliance (MFMA 125(2)(e))

Section of MFMA	Short Description of Requirement	Measure of compliance	Compliance	Comment or reasons for non compliance
Sec 65 (2) (e)	Accounting officer to ensure the implementation of effective system of expenditure control that ensure that all money due is paid within 30 days of receiving the invoice.	Did the Accounting officer ensure the implementation of effective system?	No	Insufficient Funds
Sec 65 (2) (c)	Accounting officer to ensure the implementation of effective system of expenditure control that ensure a system of internal controls with regard to creditors and payments.	Did the Accounting officer ensure the implementation of effective system?	No	No creditors reconciliation. Accounting system is not in full use and training is necessary.
Sec 65 (2) (f)	Accounting officer to ensure the implementation of effective system of expenditure control that complies with tax, duty, pension, medical aid , audit fees and other statutory commitments.	Did the Accounting officer ensure the implementation of effective system?	No	Payment in arrears that date back to 2003 and not enough funds to resolve this issue at once.
Sec 65 (2) (j)	Accounting officer ensure that all accounts is reconciled on at least a monthly basis.	Did the Accounting officer ensure that all accounts were reconciled?	No	Lack of capacity within the creditors department
Sec 66	Report on council regarding staff expenses	Was report submitted to council?	No	Late appointment of Snr management
Sec 69 (1) (a)	Decrease expenses if revenue is projected less than budget	Was expenses adjusted?	No	Disruptive late appointment of Snr Management
Sec 69 (3)	Submit draft SDBIP and performance agreements within 14 days to council	Was draft SDBIP submitted?	No	Disruptive late appointment of Snr Management
Sec 70	The Accounting officer must compile a report on: - Under collection of revenue - Shortfalls in Budgeted revenue - overspending of entities budget - delay in payments to any creditors - overdraft in any bank acc for period exceeding 21 days; and take steps to rectify the situation.	Did the Accounting officer compile a report?	No	Disruptive late appointment of Snr Management, lack of capacity and the late implementation of a SDBIP
Sec 83	The Accounting officer, Senior managers and Other financial officials must meet the prescribed financial management competency levels.	Was the compentency levels met?	No	Due to shortage of personnel we were forced to ask for an extension in this regard

Sect 126(1)	Submit AFS within the timeframe of two months after year end.	Were the AFS submitted within two months after year end?	No	Auditor General Report for 2010/2011 financial year was only received 27 August 2012
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43	CAPITAL COMMITMENTS	2013 R	2012 R
	Commitments in respect of capital expenditure:		
	Approved and contracted for:	5 406 906	2 913 097
	Total commitments consist out of the following:		
	Calitzdorp: Housing	2 600 000	-
	Calitzdorp: Bulk Services	2 806 906	-
	Demand side management	-	2 913 097
		5 406 906	2 913 097
	This expenditure will be financed from:		
	Government Grants	5 406 906	2 913 097
		5 406 906	2 913 097

44 FINANCIAL RISK MANAGEMENT

The activities of the municipality expose it to a variety of financial risks, including market risk (comprising fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The municipality's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance.

(a) Foreign Exchange Currency Risk

The municipality does not engage in foreign currency transactions.

(b) Price risk

The municipality is not exposed to price risk.

(c) Interest Rate Risk

As the municipality has significant interest-bearing liabilities, the entity's income and operating cash flows are substantially dependent on changes in market interest rates.

The municipality analyses its potential exposure to interest rate changes on a continuous basis. Different scenarios are simulated which include refinancing, renewal of current positions, alternative financing and hedging. Based on these scenarios, the entity calculates the impact that a change in interest rates will have on the surplus/deficit for the year. These scenarios are only simulated for liabilities which constitute the majority of interest bearing liabilities.

The municipality did not hedge against any interest rate risks during the current year.

0.5% (2011 - 0.5%) Increase in interest rates	(89 634)	(72 530)
0.5% (2011 - 0.5%) Decrease in interest rates	89 634	72 530

(d) Credit Risk

Credit risk is the risk that a counter party to a financial or non-financial asset will fail to discharge an obligation and cause the municipality to incur a financial loss.

Credit risk consist mainly of cash deposits, cash equivalents, trade and other receivables and unpaid conditional grants and subsidies.

Trade and other debtors are disclosed net after provisions are made for impairment and bad debts. Trade debtors comprise of a large number of ratepayers, dispersed across different sectors and geographical areas. Ongoing credit evaluations are performed on the financial condition of these debtors. Credit risk pertaining to trade and other debtors is considered to be moderate due the diversified nature of debtors and immaterial nature of individual balances. In the case of consumer debtors the municipality effectively has the right to terminate services to customers but in practice this is difficult to apply. In the case of debtors whose accounts become in arrears, Council endeavours to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

The entity only deposits cash with major banks with high quality credit standing. No cash and cash equivalents were pledged as security for financial liabilities and no restrictions were placed on the use of any cash and cash equivalents for the period under review. Although the credit risk pertaining to cash and cash equivalents are considered to be low, the maximum exposure are disclosed below.

The risk pertaining to unpaid conditional grants and subsidies are considered to be very low. Amounts are receivable from national and provincial government and there are no expectation of counter party default.

	2013 R	2012 R
Financial assets exposed to credit risk at year end are as follows:		
Long term receivables	6 309	10 122
Receivables from exchange transactions	9 946 776	7 923 040
Receivables from non-exchange transactions	7 283 008	2 878 661
Cash and Cash Equivalents	9 406 169	1 462 760
	<u>26 642 262</u>	<u>12 274 583</u>

(e) Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying business, the treasury maintains flexibility in funding by maintaining availability under credit lines.

The entity's risk to liquidity is a result of the funds available to cover future commitments. The entity manages liquidity risk through an ongoing review of future commitments and credit facilities.

The table below analyses the entity's financial liabilities into relevant maturity groupings based on the remaining period at the financial year end to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Less than 1 year	Between 1 and 5 years	Between 5 and 10 years	Over 10 Years
2012				
Long Term liabilities	1 640 965	7 026 510	8 575 836	1 391 023
Capital repayments	486 709	2 672 916	5 745 351	1 316 607
Interest	1 154 256	4 353 594	2 830 485	74 416
Trade and Other Payables	36 314 309	-	-	-
Unspent conditional government grants and receipts	12 840 260	-	-	-
Provision for the Rahabilitation of Landfill Sites	2 889 390	2 436 409	-	-
Capital repayments	2 889 390	1 934 100	-	-
Interest	-	502 309	-	-
Cash and Cash Equivalents	-	-	-	-
	<u>53 684 924</u>	<u>9 462 919</u>	<u>8 575 836</u>	<u>1 391 023</u>
	Less than 1 year	Between 1 and 5 years	Between 5 and 10 years	Over 10 Years
2011				
Long Term liabilities	1 806 933	13 950 148	8 575 836	3 001 543
Capital repayments	539 193	9 296 655	5 126 383	2 691 738
Interest	1 267 740	4 653 493	3 449 453	309 805
Trade and Other Payables	24 187 564	-	-	-
Unspent conditional government grants and receipts	4 753 524	-	-	-
Provision for the Rahabilitation of Landfill Sites	2 892 029	2 560 566	-	-
Capital repayments	2 892 029	1 935 866	-	-
Interest	-	624 699	-	-
Cash and Cash Equivalents	856 424	-	-	-
	<u>34 496 474</u>	<u>16 510 714</u>	<u>8 575 836</u>	<u>3 001 543</u>

45

FINANCIAL INSTRUMENTS**2013
R****2012
R**

In accordance with IAS 39.09 the financial instruments of the municipality are classified as follows:

The fair value of financial instruments approximates the amortised costs as reflected below.

45.1 Financial Assets**Classification****Investments**

Fixed Deposits	Financial instruments at amortised cost	4 043 791	3 564 511
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Long-term Receivables

Sport Club Loans	Financial instruments at amortised cost	2 186	6 597
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Receivables

Receivables from exchange transactions	Financial instruments at amortised cost	9 946 776	7 923 040
Receivables from non-exchange transactions	Financial instruments at amortised cost	7 283 008	2 878 661

Current Portion of Long-term Receivables

Sport Club Loans	Financial instruments at amortised cost	4 123	3 525
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Short-term Investment Deposits

Call Deposits	Financial instruments at amortised cost	6 100 827	1 459 460
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Bank Balances and Cash

Bank Balances	Financial instruments at amortised cost	3 302 042	-
Cash Floats and Advances	Financial instruments at amortised cost	3 300	3 300

30 686 053**15 839 094****SUMMARY OF FINANCIAL ASSETS**

Financial instruments at amortised cost	30 686 053	15 839 094
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At amortised cost**30 686 053****15 839 094**

FINANCIAL INSTRUMENTS (CONTINUE)		2013 R	2012 R
45.2 Financial Liability	<u>Classification</u>		
Long-term Liabilities			
Annuity Loans	Financial instruments at amortised cost	9 673 522	10 144 531
Capitalised Lease Liability	Financial instruments at amortised cost	1 633 982	74 403
Payables from exchange transactions			
Trade creditors	Financial instruments at amortised cost	31 032 329	17 276 971
Retentions	Financial instruments at amortised cost	442 362	305 384
Deposits	Financial instruments at amortised cost	168 291	120 527
Other	Financial instruments at amortised cost	3 744 185	5 316 632
Current Portion of Long-term Liabilities			
Annuity Loans	Financial instruments at amortised cost	(471 425)	(471 425)
Capitalised Lease Liability	Financial instruments at amortised cost	(19 737)	(54 666)
		46 203 509	32 712 357
SUMMARY OF FINANCIAL LIABILITY			
Financial instruments at amortised cost		46 203 509	32 712 357
46 EVENTS AFTER THE REPORTING DATE			
The municipality has no events after reporting date during the financial year ended 2011/2012.			
47 IN-KIND DONATIONS AND ASSISTANCE			
The municipality did not receive any in-kind donations or assistance during the year under review.			
48 PRIVATE PUBLIC PARTNERSHIPS			
Council has not entered into any private public partnerships during the financial year.			
49 CONTINGENT LIABILITY			
The municipality does not have a permit or license for any of the landfill sites currently in use and could be liable for a penalty in terms of section 24G of the Environmental Conservation Act.+/- R10 Million			
Furthermore the council is operating a sand mine without the prescribed permit to do so.			
There is a claim of R125 000 against the municipality by Le Roux Engineering.			
The municipality has a civil claim against them since 2010 for R500 000			
A potential third party claim for the amount of R1 098 887 was received from the Western Cape High Court on 19 October 2011 for an incident that happened on 4 April 2011 to Ms' MA Smith in Calitzdorp.			

50 RELATED PARTIES

Key Management and Councillors receive and pay for services on the same terms and conditions as other ratepayers / residents.

Related Party Transactions

Rates - Levied 1	Service - Levied
Jul 12 - 30 Jun 13	1 Jul 12-30 Jun
	13

Year ended 30 JUNE 2013

Councillors

Councillor PJ Antonie
Councillor ML Claasen
Councillor J Donson
Councillor WP Meshoa
Councillor AJ Rossouw
Councillor HD Ruiters
Councillor L Willemse

Municipal Manager and Section 57 Employees

Mr. MM Hoogbaard
Mr. NB Delo
Mr. HJ Barnard

The rates, service charges and other charges are in accordance with approved tariffs that were advertised

50.1 Related Party Loans

Since 1 July 2004 loans to councillors and senior management employees are not permitted. Loans granted prior to this date are disclosed in note 16 to the Annual Financial Statements.

50.2 Compensation of key management personnel

The compensation of key management personnel is set out in note 26 to the Annual Financial Statements.

50.3 Other related party transactions

The following purchases were made during the year where Councillors or staff have an interest:

None

51 AWARDS TO PERSONS IN THE SERVICE OF THE STATE**51.1 Awards made to persons in the service of the state**

Outeniqua Leadership Institute	Amount of award	100 000
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One of the directors of the company is in employ of the state

51.2 Awards made to close family members of persons in the service of the state

RSK & Associates	Amount of award	222 787
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One of the directors of the company spouse is in the service of the state

51.3 Awards made persons that were in the service of the state

<i>RR Links</i> Nxele Enterprises	Amount of award	729 736
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Mr R R Links was employed at Bitou Municipality

52 FINANCIAL SUSTAINABILITY

The indicators or conditions that may, individually or collectively, cast significant doubt about the going concern assumption are as follows:

Financial Indicators

The municipality does not have enough cash reserves to fund working capital requirements

Other Indicators

Possible outflow of resources due the contingent liability disclosed in note 49

**APPENDIX A - Unaudited
KANNALAND MUNICIPALITY
SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2013**

EXTERNAL LOANS	Rate	Redeemable	Balance at 30 JUNE 2012	Correction	Balance at 30 JUNE 2012 Restated	Redeemed written off during the period	Balance at 30 JUNE 2013
ANNUITY LOANS							
DBSA:Consolidated Loans	12.50%	30/04/2023	10 559 341	-	10 559 341	471 009	10 088 332
DBSA:Consolidated Loans	0.00%		6 952 457	-	6 952 457	-	6 952 457
Total Annuity Loans			17 511 798	-	17 511 798	471 009	17 040 789
LEASE LIABILITY							
Finance Lease - NRB			-	-	-	-	-
Finance Lease - Technofin	11.00%	31/10/2013	142 171	-	142 171	67 768	74 403
Finance Lease - Nashua George			-	-	-	-	-
Total Lease Liabilities			142 171	-	142 171	67 768	74 403
TOTAL EXTERNAL LOANS			17 653 969	-	17 653 969	538 777	17 115 192

**APPENDIX B - Unaudited
KANNALAND MUNICIPALITY
DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003**

Grant Description	Balance 1 JULY 2011	Correction of error Note 35	Balance 1 JULY 2011	Grants Received	Write Offs/ Transfers	Operating Expenditure during the year Transferred to Revenue	Capital Expenditure during the year Transferred to Revenue	VAT on Grants Recognised	Balance 30 JUNE 2012	Unspent 30 JUNE 2012 (Creditor)	Unpaid 30 JUNE 2012 (Debtor)
UNSPENT AND UNPAID GOVERNMENT GRANTS AND RECEIPTS											
R			R	R	R	R	R	R	R	R	R
<u>National Government Grants</u>											
Equitable Share	-	-	-	18 989 000	-	18 989 000	-	-	-	-	-
Local Government Financial Management Grant	(14 464)	1	(14 465)	1 264 465	-	1 250 000	-	-	-	-	-
DME Side Demand Management Meters	2 577 449	1	2 577 448	-	2 254 000	-	-	-	323 448	323 448	-
National Integrated Electrification Grant	(22 102)	-	(22 102)	5 000 000	-	-	4 385 965	-	591 933	591 933	-
Municipal Infrastructure Grant	(278 556)	-	(278 556)	11 517 000	-	554 979	8 118 836	-	2 564 629	2 564 629	-
Municipal Systems Improvement Grant	(282 842)	-	(282 842)	1 500 000	-	1 500 000	-	-	(282 842)	-	282 842
DBSA Recovery Plan	(824 875)	-	(824 875)	-	-	-	-	-	(824 875)	-	824 875
RBIG	-	-	-	3 900 000	-	-	2 376 683	-	1 523 317	1 523 317	-
EPWP Grant	-	-	-	1 000 000	-	952 062	-	-	47 938	47 938	-
Total National Government Grants	1 154 610	-	1 154 608	43 170 465	2 254 000	23 246 041	14 881 484	-	3 943 548	5 051 265	1 107 717
<u>Provincial Government Grants</u>											
Project Library	(20 183)	-	(20 183)	208 000	-	7 317	65 030	-	115 470	115 470	-
Zoar Library	18 122	-	18 122	-	-	-	-	-	18 122	18 122	-
Land Use Planning Advertising Cost	900	-	900	-	-	-	-	-	900	900	-
Taxi Rank	306 463	-	306 463	-	-	-	-	-	306 463	306 463	-
Flood Damage	447 890	-	447 890	-	-	-	-	-	447 890	447 890	-
CDW grant	5 979	1	5 978	162 000	-	96 088	28 432	-	43 458	43 458	-
Nissanville Paving	600 000	448 641	151 359	-	-	20 821	-	-	130 538	130 538	-
Calitzdorp Housing	-	-	-	13 964 000	-	13 964 000	-	-	-	-	-
Calitzdorp Housing ASLA	2 087	-	2 087	-	-	-	-	-	2 087	2 087	-
Upgrading Sports Facilities Calitzdorp	250 000	-	250 000	-	-	-	-	-	250 000	250 000	-
SDBIP Grant	(8 176)	-	(8 176)	-	-	-	-	-	(8 176)	-	8 176
Department of Water Affairs	401 980	-	401 980	-	-	-	255 053	-	146 927	146 927	-
Swimming Pool Calitzdorp	-	-	-	-	-	-	-	-	-	-	-
Swimming Pool Ladismith	-	-	-	-	-	-	-	-	-	-	-
Total Provincial Government Grants	2 005 062	448 642	1 556 420	14 334 000	-	14 088 226	348 515	-	1 453 679	1 461 855	8 176
<u>District Municipality Grants</u>											
Eden District Municipality	-	-	-	-	-	-	-	-	-	-	-
Eden District Municipality Water Supply	-	-	-	-	-	-	-	-	-	-	-
Eden District Municipality Electricity	-	-	-	-	-	-	-	-	-	-	-
Ladismith Water Project	152 272	1	152 271	-	-	24 153	-	-	128 118	128 118	-
Total District Municipality Grants	152 272	1	152 271	-	-	24 153	-	-	128 118	128 118	-
<u>Other Grant Providers</u>											
Drought relief	203 172	-	203 172	-	-	-	-	-	203 172	203 172	-
MSP	200	-	200	-	-	-	-	-	200	200	-
Greening Ladismith	629	-	629	-	-	-	-	-	629	629	-
Greening Zoar	20 556	-	20 556	-	-	-	-	-	20 556	20 556	-
Water Investigation Van Wyksdorp	10 703	-	10 703	-	-	-	-	-	10 703	10 703	-
LED Grant	175 000	-	175 000	-	-	165 132	-	-	9 868	9 868	-
VWD PIT LATRINES	-	-	-	5 000 000	-	-	3 254 983	-	1 745 017	1 745 017	-
FMSG: FIN. MAN. SUPP	-	-	-	300 000	-	184 058	-	-	115 942	115 942	-
THUSONG CENTRE	-	-	-	2 500 000	-	-	-	-	2 500 000	2 500 000	-
IDC GRANT	-	-	-	1 564 172	-	-	-	-	1 564 172	1 564 172	-
Umsobomwu Project	28 763	-	28 763	-	-	-	-	-	28 763	28 763	-
Total Other Grant Providers	439 023	-	439 023	9 364 172	-	349 190	3 254 983	-	6 199 022	6 199 022	-
Total	3 750 967	448 643	3 302 322	66 868 637	2 254 000	37 707 611	18 484 981	0	11 724 367	12 840 260	1 115 893

APPENDIX B - Unaudited
KANNALAND MUNICIPALITY
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2013
MUNICIPAL VOTES CLASSIFICATION

2012 Actual Income R	2012 Actual Expenditure R	2012 Surplus/ (Deficit) R		2013 Actual Income R	2013 Actual Expenditure R	2013 Surplus/ (Deficit) R
11 601 556	(8 691 038)	2 910 518	<u>EXECUTIVE MAYOR & COUNCIL</u> Council General Administration	3 531 539	(9 216 118)	(5 684 579)
7 829 007	(5 323 440)	2 505 567	<u>MUNICIPAL MANAGER</u> Office Of The Municipal Manager	-	-	-
181 072	(6 424 426)	(6 243 354)	<u>CORPORATE SERVICES</u> Manager: Corporate Services	69 178	(6 652 433)	(6 583 255)
-	-	-	Human Resource Management	-	-	-
17 558 269	(4 817 120)	12 741 149	Municipal Property Management	19 391 976	(2 887 735)	16 504 241
1 689 325	(12 191 309)	(10 501 984)	<u>FINANCIAL SERVICES</u> Manager: Financial Services	1 175 705	(18 167 569)	(16 991 864)
189 672	(1 197 857)	(1 008 185)	<u>COMMUNITY SERVICES</u> Manager: Community Development	215 032	(1 592 005)	(1 376 973)
-	-	-	Environmental Health Services	-	-	-
1 254 815	(1 115 090)	139 725	Libraries & Information Serv	1 106 847	(1 174 057)	(67 210)
26 397	(44 230)	(17 833)	Cemeteries	26 026	(2 675)	23 351
16 513	(166 526)	(150 013)	Sports Facilities	14 336	(420 020)	(405 684)
5 926 690	(3 780 442)	2 146 248	Refuse Rem & Waste Management	6 544 991	(3 388 324)	3 156 667
1 842	(8 149 447)	(8 147 605)	Other Community	1 579	(2 825 223)	(2 823 644)
1 691 531	(1 923 409)	(231 878)	<u>PUBLIC SAFETY</u> Traffic Services	1 294 068	(2 021 440)	(727 372)
-	(3 944)	(3 944)	<u>INFRASTRUCTURE,ENG & TECHNICAL</u> Roads	1 935 674	1 935 674	3 871 348
9 885 671	(6 057 743)	3 827 928	Sewerage & Sanitation Services	12 179 988	(4 858 827)	7 321 161
33 553 907	(28 134 528)	5 419 379	<u>TRADING SERVICES</u> Electrical Engineering Service	38 563 092	(27 778 240)	10 784 852
10 736 808	(7 995 684)	2 741 124	Water Service	13 302 356	(3 814 507)	9 487 849
-	-	-		-	-	-
102 143 075	(96 016 233)	6 126 842	Sub Total	113 920 762	(102 320 291)	11 600 471
-	-	-	Interdepartemental charges	-	1 634 771	1 634 771
102 143 075	(96 016 233)	6 126 842	Total	113 920 762	(100 685 520)	13 235 242

APPENDIX C - Unaudited
KANNALAND MUNICIPALITY
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2013
GENERAL FINANCE STATISTIC CLASSIFICATIONS

2012 Actual Income R	2012 Actual Expenditure R	2012 Surplus/ (Deficit) R		2013 Actual Income R	2013 Actual Expenditure R	2013 Surplus/ (Deficit) R
13 290 882	(25 377 202)	(12 086 320)	Executive & Council	4 619 796	(30 163 087)	(25 543 291)
17 739 341	(11 241 546)	6 497 795	Finance & Admin	19 461 155	(9 547 491)	9 913 664
1 472 727	(10 506 625)	(9 033 898)	Community & Social Services	1 349 484	(5 593 960)	(4 244 476)
7 013 009	(490 370)	6 522 639	Housing	13 992 574	(14 589 041)	(596 467)
16 513	(166 526)	(150 013)	Sport & Recreation	14 336	(420 020)	(405 684)
-	-	-	Environmental Protection	-	-	-
15 812 361	(9 838 185)	5 974 176	Waste Management	14 487 920	(6 364 683)	8 123 237
2 507 529	(2 265 567)	241 962	Road Transport	1 869 869	(621 347)	1 248 522
10 736 802	(7 995 683)	2 741 119	Water	13 302 350	(3 814 506)	9 487 844
33 553 913	(28 134 528)	5 419 385	Electricity	38 563 092	(28 399 003)	10 164 089
						-
102 143 077	(96 016 232)	6 126 845	Total	107 660 576	(99 513 138)	8 147 438

APPENDIX D - Unaudited
KANNALAND MUNICIPALITY
DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003

Grant Description	Balance 1 JULY 2012	Correction of error Note 35	Balance 1 JULY 2012	Grants Received	Write Offs/ Transfers	Operating Expenditure during the year Transferred to Revenue	Capital Expenditure during the year Transferred to Revenue	Balance 30 JUNE 2013
UNSPENT AND UNPAID GOVERNMENT GRANTS AND RECEIPTS	R	R	R	R	R	R	R	R
<u>National Government Grants</u>								
Equitable Share		-	-	16 840 000	-	16 840 000	-	-
Local Government Financial Management Grant	8 727	-	8 727	1 250 000	-	1 273 191	-	(14 464)
DME Side Demand Management Meters	2 842 837	-	2 842 837	-	-	-	265 388	2 577 449
National Integrated Electrification Grant		-	-	2 190 000	-	2 212 102	-	(22 102)
Municipal Infrastructure Grant	(699 262)	-	(699 262)	9 494 000	-	1 316 665	7 756 629	(278 556)
Municipal Systems Improvement Grant	(2 802)	-	(2 802)	1 720 000	-	2 000 040	-	(282 842)
DBSA Recovery Plan	643 899	-	643 899	-	-	1 468 774	-	(824 875)
EPWP Grant		-	-	370 000	-	370 000	-	-
Total National Government Grants	2 793 399	-	2 793 399	31 864 000	-	25 480 772	8 022 017	1 154 610
<u>Provincial Government Grants</u>							7 307 988	
Project Library	5 109	-	5 109	189 000	-	214 292	-	(20 183)
Zoar Library	106 522	-	106 522	-	-	77 543	10 857	18 122
Land Use Planning Advertising Cost	900	-	900	-	-	-	-	900
Taxi Rank	306 463	-	306 463	-	-	-	-	306 463
Flood Damage	447 890	-	447 890	-	-	-	-	447 890
CDW grant	-	-	-	156 000	-	150 021	-	5 979
Nissanville Paving		-	-	600 000	-	-	-	600 000
Calitzdorp Housing		-	-	6 984 435	-	-	6 984 435	-
Calitzdorp Housing ASLA		2 087	2 087	-	-	-	-	2 087
Ladismith Housing		-	-	-	-	-	-	-
Upgrading Sports Facilities Calitzdorp		250 000	250 000	-	-	-	-	250 000
Electricity and Water Project		-	-	-	-	-	-	-
SDBIP Grant		-	-	100 000	-	108 176	-	(8 176)
Swimming Pool Calitzdorp		-	-	-	-	-	-	-
Department of Water Affairs		-	-	550 000	-	-	148 020	401 980
Swimming Pool Ladismith		-	-	-	-	-	-	-
Total Provincial Government Grants	866 884	252 087	1 118 971	8 579 435	-	550 032	7 143 312	2 005 062
<u>District Municipality Grants</u>								
Eden District Municipality		-	-	-	-	-	-	-
Eden District Municipality Water Supply		-	-	-	-	-	-	-
Eden District Municipality Electricity		87 850	-	-	-	-	-	-
Ladismith Water Project		293 085	293 085	-	-	140 813	-	152 272
Total District Municipality Grants	-	380 935	293 085	-	-	140 813	-	152 272
<u>Other Grant Providers</u>								
Drought relief		203 172	203 172	-	-	-	-	203 172
MSP		200	200	-	-	-	-	200
Watermeters Zoar		-	-	-	-	-	-	-
Greening Ladismith		629	629	-	-	-	-	629
Greening Zoar		20 556	20 556	-	-	-	-	20 556
General Valuation		-	-	-	-	-	-	-
Water Investigation Van Wyksdorp		10 703	10 703	-	-	-	-	10 703
Housing Education		-	-	-	-	-	-	-
LED Grant		-	-	400 000	-	225 000	-	175 000
?		-	-	-	-	-	-	-
Umsobomwu Project		28 763	28 763	-	-	-	-	28 763
Total Other Grant Providers	-	264 023	264 023	400 000	-	225 000	-	439 023
Total	3 660 283	897 045	4 469 478	40 843 435	-	26 396 617	15 165 329	3 750 967